OFFICIAL STATEMENT DATED JANUARY 10, 2018

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

The Bonds have NOT been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS."

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 613703

RATINGS: Underlying "A+" (stable outlook) / Insured "AA" (stable outlook) S&P
See "BOND INSURANCE" and "MUNICIPAL BOND RATING" herein

$14,000,000
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
(A political subdivision of the State of Texas, located in Montgomery County, Texas)
UNLIMITED TAX BONDS
SERIES 2018

Dated: February 1, 2018 **Due: April 1 (as shown below)**

Interest on the Bonds (the "Bonds" or the "Series 2018 Bonds") will accrue from February 1, 2018, and will be payable on October 1 and April 1 of each year, commencing October 1, 2018. The definitive Bonds 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. 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 "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is ZB, National Association, dba Amegy Bank. See "THE BONDS – Paying Agent/Registrar."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM").

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield to Maturity (a)	Principal Amount	Maturity	Interest Rate	Yield to Maturity (a)
$325,000	2022	4.750%	2.15%	$450,000	2029 (b)	2.750%	3.00%
$350,000	2023	4.750%	2.25%	$450,000	2030 (b)	3.000%	3.10%
$350,000	2024 (b)	4.750%	2.40%	$475,000	2031 (b)	3.000%	3.15%
$375,000	2025 (b)	4.750%	2.50%	$500,000	2032 (b)	3.000%	3.20%
$400,000	2026 (b)	2.250%	2.60%	$525,000	2033 (b)	3.000%	3.25%
$400,000	2027 (b)	2.500%	2.75%	$550,000	2034 (b)	3.125%	3.30%
$425,000	2028 (b)	2.625%	2.90%	$550,000	2035 (b)	3.250%	3.35%

$1,175,000 3.250% Term Bond Due April 1, 2037 to Yield 3.38% (a) (b) (c)
$1,275,000 3.250% Term Bond Due April 1, 2039 to Yield 3.42% (a) (b) (c)
$1,375,000 3.250% Term Bond Due April 1, 2041 to Yield 3.45% (a) (b) (c)
$1,525,000 3.375% Term Bond Due April 1, 2043 to Yield 3.50% (a) (b) (c)
$2,525,000 3.375% Term Bond Due April 1, 2046 to Yield 3.55% (a) (b) (c)

(a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
(b) The Bonds maturing on or after April 1, 2024, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2023, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Optional Redemption."
(c) Subject to mandatory redemption as described herein. See "THE BONDS – Mandatory Redemption."

The proceeds of the Bonds will be used by Montgomery County Municipal Utility District No. 8 (the "District") to finance the construction of certain sanitary sewer and storm sewer discharge improvements; and to pay issuance and administrative expenses. See "USE OF BOND PROCEEDS." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to maximum rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." 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. Neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, or the City of Conroe is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption "RISK FACTORS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Radcliffe Bobbitt Adams Polley PLLC, Houston, Texas, Bond Counsel. The Issuer will be advised on certain legal matters concerning disclosure by Allen Boone Humphries Robinson LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about February 8, 2018.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. Neither the District, nor the Financial Advisor, nor the Underwriter make any representation or warranty with respect to the information contained herein regarding the Depository Trust Company or its book-entry-only system.

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

This Official Statement does not constitute and is not authorized by the District for use in connection with an offer to sell or the solicitation of 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 registered or 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, and engineering and other related reports set forth in this Official Statement are made subject to 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 the District, 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 mage as to the correctness of such estimates, assumptions or matters of opinion, or that they will realized. Any information and expressions of opinion herein contained are subject to change 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.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter" or "Initial Purchaser"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.439145%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Initial Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Initial Purchaser.

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE INITIAL PURCHASER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL 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 WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("SEC") 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. 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.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

The information to be updated with respect to the District includes all quantitative financial information and operating data of the District of the general type included in this Official Statement included under the headings "DISTRICT DEBT" (except for Estimated Overlapping Debt), "DISTRICT TAX DATA" and "APPENDIX A" (Audited Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2017. The District will provide the updated information to EMMA. 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 ("Rule"). The updated information will include audited financial statements if it 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, the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA within such six month period, and audited financial statements when the audit report on such statements becomes 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 is December 31. Accordingly, it must provide updated information by June 30 in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Material 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 status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the foregoing updated information only to the information vendors described above. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

Investors will be able to access continuing disclosure information filed with the MSRB at: https://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 and Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the Outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Beneficial Owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its continuing disclosure agreements previously made in accordance with SEC Rule 15c2-12.

On March 18, 2014, S&P Ratings Services upgraded Assured Guaranty Municipal Corp., which insures the District's Series 2012 Bonds, from "AA-" to "AA." The District filed an event notice regarding such rating change on April 8, 2014, which was more than ten business days following the event.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District has made application to S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") which has assigned the underlying rating of "A+" on the Bonds based upon the District's underlying credit without bond insurance. The underlying rating to be released by S&P of the District will be maintained by S&P in addition to the rating by virtue of the bond insurance, if applicable. See "BOND INSURANCE" and "APPENDIX B." An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating.

The District can make no assurance that S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer").

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2017, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $508.7 million, $79.5 million and $429.2 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

Description: $14,000,000 Unlimited Tax Bonds, Series 2018, are dated February 1, 2018. The Bonds are fully registered serial bonds maturing on April 1, as reflected on the cover page of this Official Statement. See "THE BONDS."

Book-Entry-Only System: The 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 "BOOK-ENTRY-ONLY SYSTEM."

Redemption Provisions: Bonds maturing on or after April 1, 2024, are subject to early redemption, in whole or in part, on April 1, 2023, or on any date thereafter at the option of the District at a price of par plus accrued interest to the date of redemption. The Bonds maturing on April 1, 2037, 2039, 2041, 2043, and 2046 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning in the years 2036, 2038, 2040, 2042, and 2044 respectively. See “THE BONDS.”

Use of Proceeds: Proceeds from the sale of bonds will be used to fund: (1) a wastewater treatment plant expansion; (2) drainage improvements; (3) engineering and contingency amounts for items 1 and 2; (4) six months of capitalized interest on the Bonds; and (5) costs related to the issuance of the Bonds. See “USE OF BOND PROCEEDS.”

Legal Opinion: Radcliffe Bobbitt Adams Polley PLLC, Bond Counsel, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”

Payment Record: The District has never defaulted on the payment of principal or interest on any of its bonds.

Risk Factors: The Bonds are subject to certain investment considerations, as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."

NOT Qualified Tax Exempt Obligations: The District did NOT designate the Bonds as "qualified tax-exempt obligations." See "TAX MATTERS."

Municipal Bond Rating: In connection with the sale of the Bonds, the District made an application to S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”) which assigned a rating of “A+” (stable outlook) on the Bonds based upon the District’s underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating. See “BOND INSURANCE,” “MUNICIPAL BOND RATING,” and “APPENDIX B.”

Municipal Bond Insurance: S&P is expected to assign its municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”). See “BOND INSURANCE,” “MUNICIPAL BOND RATING,” and “APPENDIX B.”

THE DISTRICT

Description: Montgomery County Municipal Utility District No.8 (the “District”), a political subdivision of the State of Texas, located in Montgomery County, was created by the Texas Water Rights Commission (predecessor to the Texas Commission on Environmental Quality) in 1972 . The District operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT.”

The District is located in northwest Montgomery County approximately 12 miles west of the City of Conroe, approximately 4 miles east of the corporate limits of the Town of Montgomery, Texas and some 58 miles north of the central business district of the City of Houston, Texas. The District is situated on the easterly end of a peninsula extending from the western shore of Lake Conroe and is located entirely within the extraterritorial jurisdiction of the City of Conroe. See “THE DISTRICT.”

Development of the District: The District contains approximately 631 acres; substantially all of which have been developed as 2,070 single-family lots, 1 apartment project (455 units) and the Walden Yacht Club. As of December 1, 2017, the District contained approximately 1,585 completed single family homes, 5 homes under construction, and approximately 480 vacant single family lots; and the 455 condominium units. See “THE DISTRICT”.

The System: Utilities in the District have been extended to substantially all of the property within the District. The District has water supply capacity and wastewater treatment capacity adequate to serve the build out of the District.

Walden on Lake Conroe: The District is one of two municipal utility districts (the “Walden MUDs”) serving Walden on Lake Conroe, an approximately 1,343 acre mixed-use development (“Walden”). Substantially, all of the developable land within Walden has been developed with utility facilities for single family, condominium, commercial and recreational amenities and as of December 1, 2017, Walden contained approximately 3,267 single-family homes, approximately 850 condominium units, one apartment complex (124 units), and certain commercial development. Recreational amenities included a private 18-hole championship golf course and country club facility including a full service dining room, pro shop, practice area and locker rooms. Additional recreational facilities include the Walden Marina, containing 536 boat slips and a ship’s store; the 17,000 square-foot Walden Yacht Club, containing three meeting rooms, the Commodore Dining Room, a full service dining room, and two lounges; the Walden Racquet Club consisting of 16 tennis courts, a pro shop, locker rooms and an exercise room; and the Walden Fitness Center. See “THE DISTRICT – Walden on Lake Conroe Project.”

SELECTED FINANCIAL INFORMATION
(Unaudited)

1/1/2017 Taxable Valuation	$487,271,897	(a)
Direct Debt		
Outstanding Bonds as of 12/1/2017	$9,820,000	
The Bonds	$14,000,000	
Total Direct Debt	$23,820,000	
Estimated Overlapping Debt	$39,361,082	
Direct and Estimated Overlapping Debt	$63,181,082	
Percentage of Direct Debt to:		
1/1/2017 Taxable Valuation	4.89%	
(See “District Debt”)		
Percentage of Direct and Estimated Overlapping Debt to:		
1/1/2017 Taxable Valuation	12.97%	
(See “District Debt”)		
2017 Tax Rate Per $100 of Assessed Value		
Debt Service Tax	$0.0604	
Maintenance Tax	$0.2396	
Total 2017 Tax Rate	$0.3000	
Pro-Forma Cash and Investment Balances as of January 10, 2018		
General Fund	$4,557,311	(b)
Debt Service Fund	$855,139	(b)

(a) Reflects data supplied by Montgomery Central Appraisal District (“MCAD”). See “DISTRICT TAX DATA” and “TAX PROCEDURES”.

(b) Approximate unaudited figures. The Debt Service Fund figure represents the pro-forma balance and includes the capitalized interest ($231,796) to be funded with proceeds of the Bonds plus $190,000 of funds the District transferred from the General Fund to the Debt Service Fund on January 10, 2018. Neither Texas law nor the District's Bond order requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA - Tax Adequacy of Tax Revenue."

DEBT SERVICE REQUIREMENTS

The following sets forth the District's outstanding debt service requirements and the debt service requirements for the Bonds.

Year	Outstanding Debt	Series 2018 Bonds Principal	Series 2018 Bonds Interest	Total Debt Service
2018	$569,350		$309,062	$878,412
2019	$579,300		$463,593	$1,042,893
2020	$584,000		$463,593	$1,047,593
2021	$588,385		$463,593	$1,051,978
2022	$597,213	$325,000	$455,875	$1,378,088
2023	$625,147	$350,000	$439,843	$1,414,990
2024	$631,957	$350,000	$423,218	$1,405,175
2025	$637,863	$375,000	$406,000	$1,418,863
2026	$643,087	$400,000	$392,593	$1,435,680
2027	$646,574	$400,000	$383,093	$1,429,667
2028	$653,137	$425,000	$372,515	$1,450,652
2029	$653,462	$450,000	$360,750	$1,464,212
2030	$682,337	$450,000	$347,812	$1,480,149
2031	$685,087	$475,000	$333,937	$1,494,024
2032	$686,962	$500,000	$319,312	$1,506,274
2033	$692,868	$525,000	$303,937	$1,521,805
2034	$692,931	$550,000	$287,468	$1,530,399
2035	$696,550	$550,000	$269,937	$1,516,487
2036	$723,037	$575,000	$251,656	$1,549,693
2037	$727,862	$600,000	$232,562	$1,560,424
2038	$731,487	$625,000	$212,656	$1,569,143
2039	$729,000	$650,000	$191,937	$1,570,937
2040		$675,000	$170,406	$845,406
2041		$700,000	$148,062	$848,062
2042		$750,000	$124,031	$874,031
2043		$775,000	$98,296	$873,296
2044		$825,000	$71,296	$896,296
2045		$825,000	$43,453	$868,453
2046		$875,000	$14,765	$889,765
TOTALS	**$14,457,596**	**$14,000,000**	**$8,355,251**	**$36,812,847**

Maximum Annual Debt Service Requirements (2039)........................……………………………………$1,570,937

$0.34 debt service tax rate on the 2017 Certified Taxable Value
@ 95% collections produces………………………………………………………………......$1,573,888

See "DISTRICT TAX DATA – Adequacy of Tax Revenue."

OFFICIAL STATEMENT

relating to

$14,000,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 8

(A political subdivision of the State of Texas
located within Montgomery County, Texas)
UNLIMITED TAX BONDS
SERIES 2018

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the $14,000,000 Montgomery County Municipal Utility District No. 8 Unlimited Tax Bonds, Series 2018 (the "Bonds").

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, as amended, pursuant to a resolution (the "Bond Order") adopted by the Board of Directors of Montgomery County Municipal Utility District No. 8 (the "District"), and an election held within the District.

This Official Statement includes descriptions of the Bonds, the Bond Order and certain information about the District and its financial condition. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any other political subdivision. The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners.

Marketability

The District has no understanding (other than the initial reoffering yields) 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 spread between the bid and asked price of more traditional issuers, as such bonds are generally bought, sold or traded in the secondary market.

Tax Collections

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 impaired by (a) repetitive, annual, expensive collection procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. 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 District is aware of the need to potentially increase the debt service tax rate in future years depending on the rate of growth of taxable value in the District.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the 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 may not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages was obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a 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 Owners could potentially and adversely impair the value of the Registered Owners' 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 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 the district.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Economic Factors

The continued maintenance of and growth of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The Houston metropolitan area, including Montgomery County, has, in the past, experienced increased unemployment, business failures and slow absorption of office space. These factors, if they recur, could affect the demand for new residential home construction and hence the maintenance of or growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values.

The housing industry in the Houston area is competitive and the District can give no assurance that current homebuilding in the District will continue. The competitive position of property owners in the sale of developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Nationally, there has been a significant downturn in new housing construction during the past few years caused in part by increasing foreclosures, reduced builder financing, the unavailability of mortgage funds and slower growth, and contraction in the national economy, resulting in a decline in the market value of homes. To date, such downturn has not had a significant effect on the value of homes in the District. However, the Houston area, which includes Montgomery County and the District, has experienced reduced levels of home construction in 2009, 2010, and 2011 versus similar periods in 2005, 2006, and 2007. The District cannot predict what impact, if any, the factors noted above may have on the Houston-area housing market and the market for homes in the District.

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued home-building development and commercial development on comparable sites within the District.

Future Debt

After the issuance of the Bonds, the District will have $2,220,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes. All such bonds that will remain authorized but unissued can be issued subject to the approval of the Attorney General of the State of Texas and in the case of new money bonds, subject to the approval of the TCEQ.

The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District, and to issue refunding bonds as approved by the Board. Any such additional new money bonds and refunding bonds would be issued on parity with the Bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. According to the Engineer, such bond authorization should be adequate to finance the District's share of development costs to allow for the full development of land within the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

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

Environmental Regulation

Wastewater treatment, water supply, storm water discharge 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 TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2008 as a severe ozone nonattainment area under the 1997 "eight-hour" ozone standards ("the 1997 Ozone Standards"). In December 2015, the EPA determined that the HGB area has reached attainment under the 1997 Ozone Standards, and in May 2016, the EPA issued a proposed rule approving Texas's re-designation substitute demonstration for the HGB area. However, until the EPA issues a final ruling, the HGC area is still subject to anti-backsliding obligations and nonattainment new source review requirements associated with the 1997 Ozone Standards.

In 2008, the EPA lowered the ozone standard from 80 parts per billion ("ppb") to 75 ppb ("the 2008 Ozone Standard"), and designated the HGB area as a marginal ozone nonattainment area, effective July 20, 2012. Such nonattainment areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA's 2008 Ozone Standard is met. The HGB area did not reach attainment under the 2008 Ozone Standard by the 2016 deadline, and on September 21, 2016, the EPA proposed to reclassify the HGB area from marginal to moderate under the 2008 Ozone Standard. If reclassified, the HGB area's 2008 Ozone Standard attainment deadline must be met as expeditiously as practicable, but in any event no later than July 20, 2018. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA's 2008 Ozone Standard, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion to 70 ppb ("the 2015 Ozone Standard"). On August 3, 2016, the TCEQ recommended to the EPA that all counties designated as nonattainment for the 2008 Ozone Standard be designated nonattainment for the 2015 Ozone Standard as well, which will impose additional ozone-reduction obligations on the HGB area. This could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration. The EPA intends to release the final 2015 Ozone Standard attainment designations by October 1, 2018.

In order to comply with the EPA's ozone standards for the HGB area, the TCEQ has established a state implementation plan ("SIP") setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB area's economic growth and development.

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. The TPDES Construction General Permit became effective on March 5, 2013, and is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater 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 ("Sixth Circuit") put the CWR on hold nationwide. On June 27, 2017, the EPA and the USACE released a proposed rule rescinding the CWR and reinstating language in place before 2015 changes which broadened the EPA's jurisdiction. The proposed rule was published in the Federal Register on July 27, 2017, and the comment period ended on September 28, 2017. If the CWR is not rescinded, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the "waters of the United States."

The District is not currently required to maintain stormwater discharge permit coverage. In the event that at any time in the future the District is required to seek coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the State from small municipal separate storm sewer systems, the District will be required to submit a Notice of Intent and Storm Water Management Program to the TCEQ for approval. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop and implement the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

Changes in Tax Legislation:

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

Conversion to Surface Water:

The District lies within the jurisdiction of the Lone Star Groundwater Conservation District ("LSGCD") which was created by the Texas Legislature in 2001. The purpose of the LSGCD is to conserve, protect and enhance the groundwater resources in Montgomery County. The LSGCD adopted a regulatory plan which required ground water users within Montgomery County to reduce certain ground water usage by 30% by January 1, 2016. In order to meet the requirements of the LSGCD the District was required to convert to alternate water sources by January 1, 2016. The LSGCD is currently billing the District $0.105 per 1,000 gallons of water pumped by the District from its wells. The amount billed by LSGCD is subject to future increases.

The District has submitted, and LSGCD has approved, a Groundwater Reduction Plan ("GRP") to meet the reduction requirements imposed by LSGCD. As part of the GRP, the District and Montgomery County Municipal Utility District No. 9 ("MCMUD No. 9") have constructed a water well in the Catahoula Aquifer in order to meet the LSGCD conversion requirements by 2016.

Bond Insurance Risk Considerations

If a bond insurance policy is obtained securing principal of and interest on the Bonds, in the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with optional prepayment of the Bonds by the issuer that is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal of and interest on the Bonds does not accelerate the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies, and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

Neither the District nor Underwriter has made independent investigations into the claims-paying ability of the Bond Insurer. No assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Hurricane Harvey

The Houston area, including the area in and around the District, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the District's Engineer and the District's Operator, the water, sewer, and drainage facilities serving the land within the District did not sustain any significant damage and there was no interruption of water and sewer service. According to the Board of Directors and certain District consultants, approximately 60 homes within the District experienced flooding.

On or about August 23, 2017, in anticipation of Harvey's landfall, Governor Greg Abbott issued a proclamation declaring a state of disaster in numerous counties located along the Texas gulf coast, including Harris County. The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. At this time, the Board of Directors of the District has not authorized a reappraisal of property located within the District; however, the Board of Directors of the District may do in the event further assessment of the District reveals material impacts as a result of Hurricane Harvey. The District is not bound by a reappraisal of property that is authorized by another taxing unit and not authorized by the District.

The District cannot predict what impact Hurricane Harvey will have on the assessed value of homes within the District. Such determination will be made by the Appraisal District based on the market value of such homes as of January 1, 2018 (unless the District authorizes a reappraisal of property prior to such time as described in the preceding paragraph), which market value will be affected by, among other things, the extent to which any damage has been incurred and the extent to which it has been repaired. Further, there is no assurance that a casualty loss will be covered by insurance. Flood casualties are usually excepted from coverage unless specific flood insurance is purchased. The District cannot provide assurance that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damages to improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected. Finally, it is not known at this time what impact the effects of Hurricane Harvey will have generally upon the value of homes that did not sustain damage. A substantial decrease in the assessed valuation in the District will likely result in a corresponding increase in the District's tax rate.

Hurricane Harvey is expected to have a significant short-term impact on the Houston region's economy. It may also have an adverse long-term impact on business activity and development in the region, especially if further destructive weather events occur in the near term.

Inclement Weather

The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to 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 insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

USE OF BOND PROCEEDS

Proceeds from the sale of bonds will be used to fund: (1) a wastewater treatment plant expansion; (2) drainage improvements; (3) engineering and contingency amounts for items 1 and 2; (4) six months of capitalized interest on the Bonds; and (5) costs related to the issuance of the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds as approved by the TCEQ is as follows:

CONSTRUCTION COSTS:	**Total Amount**	(a)
District Items		
SBR Process WWTP Expansion	$7,531,120	
District Drainage Improvements	$2,725,000	
Contingencies	$1,028,020	
Engineering	$1,229,802	
Total District Items	$12,513,942	
TOTAL CONSTRUCTION COSTS	**$12,513,942**	
NON-CONSTRUCTION COSTS:		
Legal Fees	$350,000	
Fiscal Advisor Fees	$252,000	
Capitalized Interest	$231,796	
Bond Discount	$420,000	
Bond Issuance Expenses	$39,558	
Bond Application Report	$100,000	
Attorney General Review Fee	$9,500	
TCEQ Bond Issuance Fee	$35,000	
Contingency	$48,204	(b)
TOTAL NON-CONSTRUCTION COSTS	**$1,486,058**	
TOTAL BOND ISSUE REQUIREMENT	**$14,000,000**	

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District is not required such a contribution because none of the facilities being financed with bond proceeds are "developer contribution items" pursuant to TCEQ rules.

(b) The TCEQ Order requires that the District designate any surplus Bond proceeds resulting from the sale of the Bonds at a lower interest rate than the rate initially projected in the District's Bond Application to the TCEQ as a contingency line item in the Final Official Statement. Such funds may be used by the District only in accordance with the TCEQ rules.

THE DISTRICT

Authority

The District is a municipal utility district that was created by the Texas Water Rights Commission (predecessor to the TCEQ) in 1972. The District operates pursuant to Chapters 49 and 54, Texas Water Code. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality ("TCEQ"). The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of stormwater.

Under certain limited circumstances the District also is authorized to construct, develop, and maintain park and recreational facilities. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provides such facilities and services to the customers of the District. The TCEQ exercises continuing supervisory jurisdiction over the District.

Description and Location

The District is located 12 miles west of downtown the City of Conroe, Texas and approximately 4 miles east of the corporate limits of the Town of Montgomery, Texas and about 58 miles north of the central business district of the City of Houston, Texas. The District is situated on the easterly end of a peninsula extending from the western shore of Lake Conroe and encompasses approximately 631 acres of land. Access to the District is provided by State Highway 105 ("SH 105") which intersects Interstate Highway 45 ("IH-45") some 11 miles east of the District, and by State Highway 149 at Montgomery, Texas. The District is bisected by Walden Road which provides District residents with access to SH 105.

Historical and Current Status of Development within the District

Development of the District, which contains single family, condominiums and commercial development began in the mid 1970's. As of December 1, 2017, substantially all of the 631 acres located within the District have been developed with water distribution, wastewater collection, and storm drainage facilities as well as street paving. Such acreage has been developed from the proceeds of bonds that have been previously issued by the District and from certain non-reimbursable developer contributions as required by the rules of the TCEQ.

The District has been developed as approximately 2,070 single-family lots (which as of December 1, 2017 includes approximately 1,585 completed homes, 5 homes under construction, and approximately 480 vacant developed lots), and 455 condominium units.

Single family detached homes in the District sell anywhere from the $180,000 to $1,000,000 price range (with the average price of a single family detached home selling in the $270,000 price range). According to local real estate agents active in the District housing community, homes sell on average after approximately 100 days on the market.

Walden on Lake Conroe Project

The Walden on Lake Conroe development ("Walden") encompasses approximately 1,343 acres, of which approximately 631 acres are served by the District and the remaining 712 acres are served by adjacent Montgomery County Municipal Utility District No. 9. Walden has been developed as a recreational area on Lake Conroe designated for first and second residential homes and condominiums as well as commercial and institutional facilities including the Walden Yacht Club, Racquet Club, Golf Course, Country Club, the Walden Fitness Center and the Walden Marina. As of December 1, 2017, Walden contained approximately 3,267 single-family homes, approximately 850 condominium units, one apartment complex (124 units), and certain commercial development.

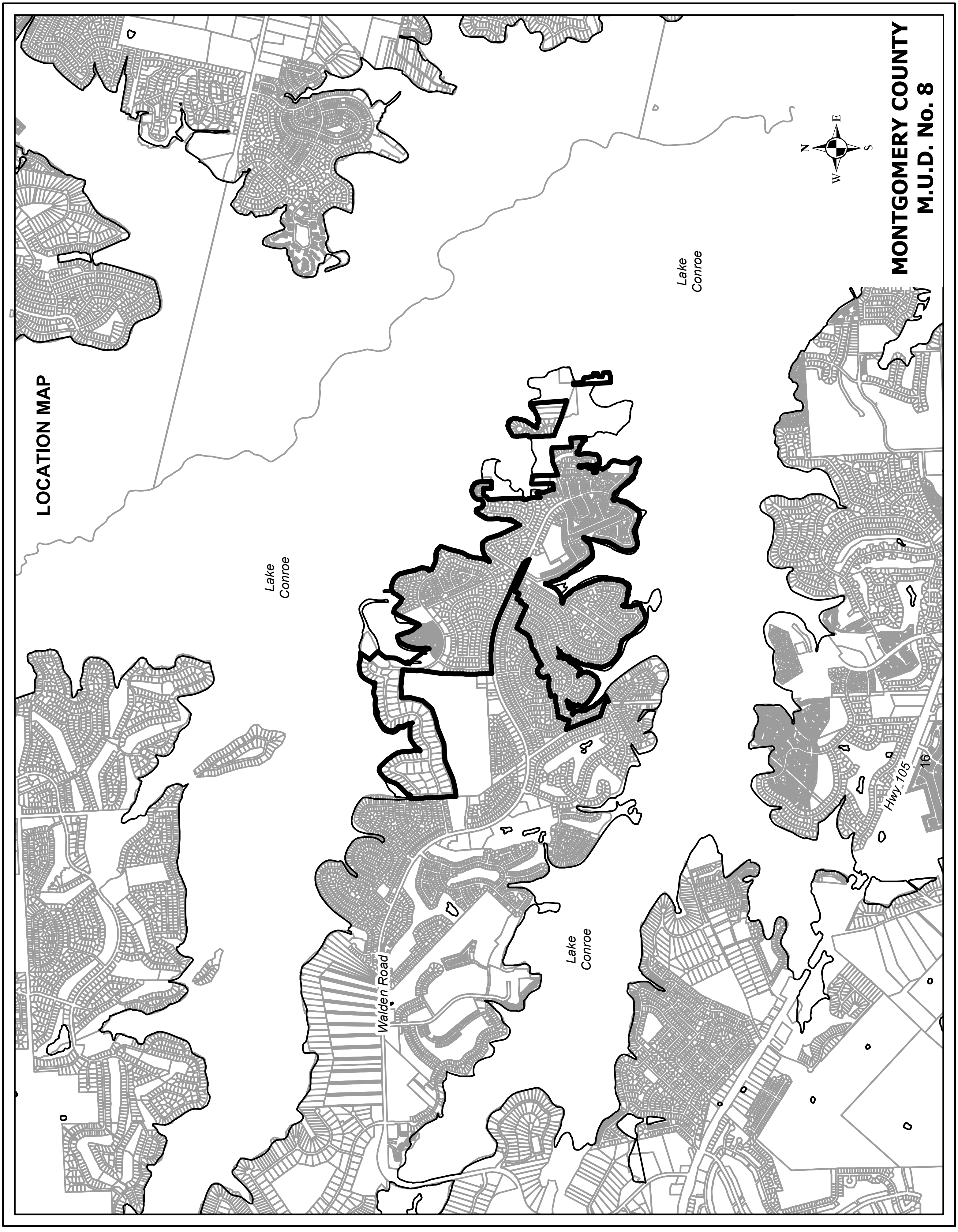
Walden Yacht Club: A 17,000 square-foot building containing the Commodore Dining Room, a full service dining room and banquet facility, two lounges, and an Olympic-sized swimming pool overlooking Lake Conroe. Located next to the swimming pool is Breakwater Park with playground equipment. There is also a paved, 2.1 mile Hike-and-Bike Trail and a children's baseball practice field.

The Walden Racquet Club: A 16-court tennis facility, including 10 lighted and 4 covered courts; a full service, fully stocked Pro Shop; an exercise room with weight resistance and cardiovascular equipment; shower facilities and locker rooms.

Walden Golf Club: An 18-hole championship private golf course designed by Bruce Devlin and Bob Von Hagge, full service dining room, pro shop, practice area, and locker rooms.

Walden Marina: A 536-slip marina offering electricity, water and storage lockers for each of its slips. The Marina features a Ship's Store stocked with supplies for sailors, water-skiers and boaters that also offers boating safety classes.

LOCATION MAP



DESCRIPTION OF THE DISTRICT'S SYSTEM

Description of the System and Regulation

The District's facilities have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, as applicable, among others, the TCEQ, Montgomery County, and the City of Conroe. According to the District's engineer, all such facilities constructed to date have been approved by all required governmental agencies. During construction, such facilities are subject to inspection by the foregoing governmental agencies having jurisdiction.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. According to the District's Engineer, the Flood Hazard Boundary Map currently in effect published by the Federal Emergency Management Agency, which covers land located in the District, indicates that none of the land located in the District is located within the 100-year floodplain.

Water Plant, Wastewater Treatment Plant and Drainage System

-Water Plant-

The District obtains all of its water supply from two groundwater production plants. Water Plant No.1 has a 1,000 gpm well; two 10,000 gallon pressure tanks; one 500,000 gallon storage tank; and four 500 gpm booster pumps. Water Plant No.2 includes one 1,205 gpm well and one 2,100 gpm well; two 10,000 gallon pressure tanks; one 550,000 gallon and one 210,000 gallon ground storage tanks; and four 500 gpm booster pumps. The District maintains 5 permanently open interconnects with an adjoining district, MCMUD No. 9. The groundwater production facilities for MCMUD No.9 consist of two Water Plants. Water Plant No.1 includes one 1,200 gallon per minute ("gpm") well; two 20,000 gallon pressure tank; two 420,000 gallon ground storage tanks; and three 650 gpm booster pumps. Water Plant No.2 consists of one 20,000 gallon pressure tank; one 225,000 gallon ground storage tank; and three 500 gpm booster pumps.

The District is currently serving approximately 2,016 equivalent single family connections ("ESFC's"). MCMUD No. 9 currently serves approximately 1,940 ESFC's. The District and MCMUD No. 9 combined have the capacity to serve 4,819 ESFC's; the two districts are currently serving approximately 3,965 ESFC's. The water supply facilities have sufficient capacity to serve the buildout of the District and MCMUD No. 9 given currently anticipated land uses within the two districts.

The District lies within the jurisdiction of the Lone Star Groundwater Conservation District ("LSGCD") which was created by the Texas Legislature in 2001. The purpose of the LSGCD is to conserve, protect and enhance the groundwater resources in Montgomery County. In 2009, the LSGCD required large-volume users, including the District and MCMUD No. 9 to file a Groundwater Reduction Plan ("GRP") to show they will reduce their 2009 total qualifying demand of groundwater use by 30%; effective January 1, 2016. The District and MCMUD No. 9 participate in a joint GRP to meet the reduction requirements imposed by the LSGCD. As part of the GRP, the District and MCMUD No. 9 constructed an alternative water supply water well in the Catahoula Aquifer. The District and MCMUD No. 9 are in compliance with the LSGCD requirements.

-Wastewater Treatment Plant-

The District currently owns 308,000 gallons per day ("gpd") of wastewater treatment plant capacity in the existing 800,000 gpd wastewater treatment plant that serves the District and MCMUD No. 9. The District is currently in design of an expansion of the wastewater treatment plant to a capacity of 1,250,000 gpd. The District will own 575,000 gpd of the expanded plant and MCMUD No. 9 will own the remaining 675,000 gpd. Construction of the wastewater treatment plant expansion is expected to commence in the 2nd quarter of 2018 and be complete by the end of 2020. The expanded wastewater treatment plant will have capacity to serve approximately 5,500 ESFC's; the two districts are currently serving 3,956 ESFC's. When the expanded wastewater treatment plant becomes operational it will have sufficient capacity to serve the buildout of the District given currently anticipated land uses in the District.

-Storm Sewer Discharge System-

The underground storm sewer serves substantially all the developed land in the District. The District's drainage system currently includes collection systems and drainage channels that discharge stormwater to Lake Conroe.

According to the District's Engineer, the Federal Insurance Administration Flood Hazard Boundary Maps indicate that none of the land located within the District lies within the 100-year flood plain.

General Fund Operating History:

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon taxable property in the District. The information included in the table below relating to the District's water and sewer system operations is provided for information purposes only. The District makes no representation as to net revenues, if any, that may be available for debt service of the Bonds in the future.

	Fiscal Year End December 31 (a)				
	2016	**2015**	**2014**	**2013**	**2012**
REVENUES					
Property Taxes	$980,606	$886,917	$824,676	$751,198	$1,062,854
Water Service	$689,708	$686,140	$601,835	$625,378	$611,495
Wastewater Service	$645,404	$636,557	$623,782	$608,488	$595,670
Conservation District Fees	$14,495	$13,919	$14,102	$17,186	$15,245
Groundwater Reduction Plan			$83,951	$115,038	$115,681
Penalty and Interest	$14,407	$14,933	$15,215	$33,969	$17,686
Tap Connection and Inspection Fees	$43,080	$64,170	$58,355	$75,739	$57,655
Miscellaneous Revenues	$49,408	$43,027	$37,211	$29,391	$29,178
TOTAL REVENUES	**$2,437,108**	**$2,345,663**	**$2,259,127**	**$2,256,387**	**$2,505,464**
EXPENDITURES					
Professional Fees	$325,874	$224,399	$238,244	$307,870	$406,532
Contracted Services	$99,046	$95,416	$90,460	$90,332	$86,119
Purchased Water Service	$104,841	$99,385	$85,861	$88,703	$85,708
Purchased Wastewater Service	$256,513	$285,198	$202,109	$208,855	$219,670
Utilities	$10,534	$11,837	$20,009	$9,557	$10,446
Conservation District Assessments	$10,747	$46,586	$20,328	$22,793	$16,866
Repairs and Maintenance	$459,744	$464,870	$532,160	$442,631	$408,465
Other	$159,449	$170,130	$183,386	$192,373	$194,778
Capital Outlay		$62,453	$123,772	$35,207	$209,042
TOTAL EXPENDITURES	**$1,426,748**	**$1,460,274**	**$1,496,329**	**$1,398,321**	**$1,637,626**
EXCESS REVENUES	**$1,010,360**	**$885,389**	**$762,798**	**$858,066**	**$867,838**

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of January 10, 2018, the District's General Fund had an unaudited cash and temporary investment balance of approximately $4,557,311. The General Fund budget for the fiscal year ending December 31, 2017 calls for revenues of approximately $2,405,000 and operating expenditures of $2,275,000.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board") which has control over and management supervision of all affairs of the District. All of the directors reside in the District. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

Name	Title	Term Expires May
John F. Tryon	President	2020
Bob Leasure	Vice President/Investment Officer	2018
Margie Barlow	Secretary	2018
Daniel L. Davis	Assistant Secretary	2018
John L. Patton	Director	2020

The District does not employ a general manager or any other full-time employees. The District has contracted for utility system operating, bookkeeping, tax assessing and collecting services and annual auditing of its books as follows:

Tax Assessor/Collector - The District's Tax Assessor/Collector is Tammy McRae, Montgomery County Tax Assessor/Collector who is employed under an annual contract and represents approximately 120 other utility districts.

Bookkeeper - The District's Bookkeeper is Municipal Accounts & Consulting, L.P., which acts as bookkeeper for approximately 150 other utility districts.

Auditor - The District's annual financial statements as of December 31, 2016, have been audited by McCall Gibson Swedlund Barfoot PLLC. See "APPENDIX A" for a copy of the District's December 31, 2016, audited financial statement. A copy of the Management Letter from the District's auditor to the District's Board of Directors relating to the District's financial reporting under Statement of Auditing Standards No. 112, including the District's response thereto, is included in APPENDIX A.

Utility System Operator - The System's operator is Hays Utility North Corp., which currently acts as utility system operator for approximately 130 utility districts.

Engineer - The consulting engineer for the District is Jones Carter, Inc. (the "Engineer").

Financial Advisor - The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds, if and when such bonds are delivered.

Bond Counsel – Radcliffe Bobbitt Adams Polley PLLC serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Allen Boone Humphries Robinson LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; however, such fees are not contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

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

DISTRICT DEBT

1/1/2017 Taxable Valuation	$487,271,897	(a)
Direct Debt		
Outstanding Bonds as of 12/1/2017	$9,820,000	
The Bonds	$14,000,000	
Total Direct Debt	$23,820,000	
Estimated Overlapping Debt	$39,361,082	
Direct and Estimated Overlapping Debt	$63,181,082	
Percentage of Direct Debt to:		
1/1/2017 Taxable Valuation	4.89%	
Percentage of Direct and Estimated Overlapping Debt to:		
1/1/2017 Taxable Valuation	12.97%	
2017 Tax Rate Per $100 of Assessed Value		
Debt Service Tax	$0.0604	
Maintenance Tax	$0.2396	
Total 2017 Tax Rate	$0.3000	
Pro Forma Cash and Investment Balances as of January 10, 2018		
General Fund	$4,557,311	(b)
Debt Service Fund	$855,139	(b)

(a) Reflects data supplied by Montgomery Central Appraisal District (“MCAD”). See “DISTRICT TAX DATA” and “TAX PROCEDURES”.

(b) Approximate unaudited figures. The Debt Service Fund figure represents the pro-forma balance and includes the capitalized interest ($231,796) to be funded with proceeds of the Bonds plus $190,000 of funds the District transferred from the General Fund to the Debt Service Fund on January 10, 2018. Neither Texas law nor the District's Bond order requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA - Tax Adequacy of Tax Revenue."

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which has not been reported. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt	Overlapping Debt Percent	Overlapping Debt Amount
Montgomery County	$443,540,000	0.93%	$4,139,177
Montgomery Independent School District	$348,215,000	10.11%	$35,221,905
Total Estimated Overlapping Debt			**$39,361,082**
The District's Direct Debt (a)			**$23,820,000**
Total Direct and Estimated Overlapping Debt			**$63,181,082**

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2013 through 2017. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

Tax Year	Taxable Valuation	Tax Rate (a)	Tax Levy	Cumulative Tax Collections	Year Ending September 30
2017	$487,271,897	$0.3000	$1,461,816	(b)	(b)
2016	$476,075,108	$0.2651	$1,262,075	99%	2017
2015	$453,021,173	$0.2651	$1,200,959	99%	2016
2014	$418,179,189	$0.2651	$1,108,593	99%	2015
2013	$399,500,508	$0.2651	$1,059,076	99%	2014

(a) See -"Tax Rate Distribution" herein.

(b) The 2017 tax levy is due in January 31, 2018.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. 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 tax bonds that may be issued in the future. The District's voters have authorized a maintenance tax of up to $0.50 per $100.00 of assessed valuation at an election held on August 14, 1976. See "Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2013 through 2017.

	2017	2016	2015	2014	2013
Debt Service	$0.0604	$0.0423	$0.0481	$0.0523	$0.0607
Maintenance/Operation	$0.2396	$0.2228	$0.2170	$0.2128	$0.2044
Total	**$0.3000**	**$0.2651**	**$0.2651**	**$0.2651**	**$0.2651**

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than 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 list of principal taxpayers for 2017 and the other information provided by this table were provided by MCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of MCAD.

Property Owner	Property Description	Property Value	Percent of Total
Entergy Texas Inc.	Personal Property	$2,561,190	0.53%
LNM Investments, LLC	Land & Improvements	$1,340,430	0.28%
Homeowner	Land & Improvements	$1,231,110	0.25%
Homeowner	Land & Improvements	$1,200,000	0.25%
Homeowner	Land & Improvements	$1,166,020	0.24%
Homeowner	Land & Improvements	$1,157,590	0.24%
Homeowner	Land & Improvements	$1,116,840	0.23%
Homeowner	Land & Improvements	$1,099,300	0.23%
Homeowner	Land & Improvements	$1,092,850	0.22%
Homeowner	Land & Improvements	$1,091,000	0.22%
Total		$13,056,330	2.68%

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2013 through 2017.

	Type of Property					
Tax Roll Year	Land	Improvements	Personal Property	Gross Valuations	Exemptions	Taxable Valuations
2017	$100,858,760	$407,393,025	$5,915,223	$514,167,008	$26,895,111	$487,271,897
2016	$100,799,570	$396,833,955	$5,038,182	$502,671,707	$26,596,599	$476,075,108
2015	$100,606,980	$374,255,605	$4,462,354	$479,324,939	$26,303,766	$453,021,173
2014	$78,760,730	$359,804,835	$4,367,813	$442,933,378	$24,754,189	$418,179,189
2013	$78,741,700	$341,102,985	$3,572,049	$423,416,734	$23,916,226	$399,500,508

Estimated Overlapping Taxes

The following table sets forth all 2017 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

Taxing Entities	2017 Tax Rates
Montgomery County	$0.466700
Montgomery County Hospital District	$0.066400
Montgomery County Independent School District	$1.370000
Montgomery County Emergency Service District No. 2	$0.100000
Overlapping Taxes	**$2.003100**
The District	$0.300000
Total Direct & Overlapping Taxes	**$2.303100**

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the 1/1/2017 Taxable Valuation and utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2039) $1,570,937

Requires a $0.34 debt service tax rate on the 1/1/2017 Taxable Valuation at 95% collection............................... $1,573,888

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue (see "RISK FACTORS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "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 and its water and wastewater system (see "DISTRICT TAX DATA - Maintenance Tax") and for the payment of certain contractual obligations if authorized by the voters in the District.

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in 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 (the "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 Central Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; 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, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of $3,000, or between $5,000 and $12,000 depending on the disability rating of the veteran, of taxable valuation. During 2013 the District granted $20,000 exemption for the elderly and disabled in the District.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) 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 assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: Freeport goods are goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, and other petroleum products, that have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing, or fabricating, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within 175 days. Freeport goods are exempted from taxation by the District. Effective January 1, 2008, a “Goods-in-Transit Exemption” may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has taken action to allow taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

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, the City of Conroe (after annexation), Montgomery County, Montgomery Independent School District, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. No tax abatement agreements exist at this time with any property owners in the District.

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. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. Similarly, a delinquent tax on real property incurs such additional penalty on July 1 of the year in which taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney not to exceed 20%. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District’s collection of taxes for debt services in the year following a disaster.

Rollback of Operation and Maintenance Tax Rate

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property and land designated for agricultural use and six months for all other property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS - Tax Collections."

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Annexation by the City of Conroe

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Conroe, the District must conform to a City of Conroe ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Conroe without the District's consent. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days, except as provided below under "Strategic Partnership Agreement." Annexation of territory by the City 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.

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City of Conroe to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation or the payment of a fee by the District based on the costs of providing municipal services to the District. The agreement could also provide for the collection of the City's sales and use taxes within the District. Although the City has negotiated and entered into such an agreement with many other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

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

THE BONDS

General

The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Order. Capitalized terms in such summary are used as defined in the Bond Order. Such summary is not a complete description of the entire Bond Order and is qualified in its entirety by reference to the Bond Order, copies of which are available from the District's Bond Counsel upon request.

The Bonds are dated and will bear interest from February 1, 2018, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years 2022 through 2046, inclusive, in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable October 1, 2018, and each April 1 and October 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount 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. Principal of, premium, if any, 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 beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event that 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.

Optional Redemption

The District reserves the right to redeem, prior to maturity the Bonds maturing on or after April 1, 2024, in whole or in part from time to time, on April 1, 2023, or on any date thereafter, at a price of par plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected by the District. Notice of each exercise of the right of redemption will be given at least thirty days prior to the date fixed for redemption by mailing written notice by first class mail to each of the Registered Owners (the "Registered Owners") of the Bonds to be redeemed. When Bonds have been called for redemption, they will become due and payable on the redemption date.

Mandatory Redemption:

The Bonds maturing in the years 2037, 2039, 2041, 2043, and 2046 (the "Term Bonds") shall be subject to mandatory redemption as shown on the tables below.

$1,175,000 Term Bonds, due April 1, 2037

Mandatory Redemption Date	Principal Amount
April 1, 2036	$575,000
April 1, 2037 (maturity)	$600,000

$1,275,000 Term Bonds, due April 1, 2039

Mandatory Redemption Date	Principal Amount
April 1, 2038	$625,000
April 1, 2039 (maturity)	$650,000

$1,375,000 Term Bonds, due April 1, 2041

Mandatory Redemption Date	Principal Amount
April 1, 2040	$675,000
April 1, 2041 (maturity)	$700,000

$1,525,000 Term Bonds, due April 1, 2043

Mandatory Redemption Date	Principal Amount
April 1, 2042	$750,000
April 1, 2043 (maturity)	$775,000

$2,525,000 Term Bonds, due April 1, 2046

Mandatory Redemption Date	Principal Amount
April 1, 2044	$825,000
April 1, 2045	$825,000
April 1, 2046 (maturity)	$875,000

Notice of Redemption; Partial Redemption:

While the Bonds are in book-entry only form, pursuant to the Bond Resolution, Term Bonds will be scheduled for mandatory redemption by DTC in accordance with its procedures. If the book-entry only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than $5,000 in principal amount may be redeemed in part ($5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Source of and Security for Payment

The Bonds are secured by and payable from the levy of a continuing direct annual ad valorem tax, without legal limitation as to maximum rate or amount, levied against all taxable property in the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery County, the City of Conroe, or any entity other than the District.

Defeasance

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

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

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

Funds

The Bond Order establishes the District's Debt Service Fund, which is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, and any additional bonds payable from taxes which may be issued in the future by the District. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Registrar.

Authorized and Unissued Bonds

After the issuance of the Bonds, the District will have $2,220,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes. All such bonds that will remain authorized but unissued can be issued subject to the approval of the Attorney General of the State of Texas and in the case of new money bonds, subject to the approval of the TCEQ.

The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District, and to issue refunding bonds as approved by the Board. Any such additional new money bonds and refunding bonds would be issued on parity with the Bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. According to the Engineer, such bond authorization should be adequate to finance the District's share of development costs to allow for the full development of land within the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Paying Agent/Registrar

Pursuant to the Bond Order, the initial paying agent and initial registrar with respect to the Bonds is ZB, National Association, dba Amegy Bank, Houston, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Order to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Houston, Texas. See "BOOK-ENTRY-ONLY SYSTEM" above for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to the Texas Bond Procedures Act, Chapter 1201, Texas Government Code, as amended, and Section 49.186, Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Again, political subdivisions in the State of Texas may impose a requirement that the Bonds have a rating of not less than "A" or its equivalent to be eligible to serve as collateral for their funds.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Securities is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Securities are to be paid to and credited by DTC while the Securities are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Securities. The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Securities, each in the aggregate principal amount or Maturity Value, as the case may be, of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. 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.

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

TAX MATTERS

Tax Exemption

Delivery of the Bonds is subject to the opinion of Radcliffe Bobbitt Adams Polley PLLC, Houston, Texas, Bond Counsel, that interest on the Bonds will be: (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) not includable in the alternative minimum taxable income of individuals or, except as described below, corporations.

Interest on the Bonds owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT), will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the District with certain covenants contained in the Bond Order and has relied on representations by the District with respect to matters solely within the knowledge of the District, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the District file an information report with the Internal Revenue Service. If the District should fail to comply with the covenants in the Bond Order or if its representations relating to the Bonds that are contained in the Bond Order should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel; and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, tax legislation currently pending in the U.S. Congress may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount Bonds

The initial public offering price of certain of the Bonds (the "Discount Bonds") is less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bonds in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Original Issue Premium Bonds

Some of the Bonds may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesales or underwriters) at such initial offering price, each of the Bonds of such maturity (a "Premium Bond") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Premium Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Premium Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium with respect to a Premium Bond. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Premium Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Premium Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

Not Qualified Tax-Exempt Obligations

The District did NOT designate the Bonds as "qualified tax-exempt obligations."

LEGAL MATTERS

Legal Opinion

The District will furnish the Underwriters a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including 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 legally binding obligations of the District. The District will also furnish the legal opinion of Radcliffe Bobbitt Adams Polley PLLC ("Bond Counsel") to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District and to the effect that the interest on the Bonds is exempt from federal income taxation under existing statutes, regulations, published rulings and court decisions. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

The opinion of Bond Counsel is expected to be reproduced on the back panel of the Bonds. The failure to print such legal opinion on any Bond shall not constitute cause for a failure or refusal by the Underwriters to accept delivery of and pay for the Bonds.

Legal Review

Bond Counsel has reviewed the information appearing in the Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE BONDS," "THE DISTRICT – General," "TAXING PROCEDURES," "ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION," "TAX MATTERS" solely to determine whether such information fairly summarizes the procedures, documents, and legal matters referred to therein, "LEGAL MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS." However, Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement in its capacity as Bond Counsel. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Radcliffe Bobbitt Adams Polley PLLC acts as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified 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, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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 provisions.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions and engineering and other related reports set forth in the 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.

Consultants

In approving this Official Statement, the District has relied upon the following consultants.

Engineer - The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "DESCRIPTION OF THE DISTRICT'S SYSTEM" and certain engineering matters included in "THE DISTRICT - Description" and "THE DISTRICT - District Status of Development," have been provided by Jones & Carter, Inc., and have been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector - The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by the Montgomery Central Appraisal District and by Tammy McRae, Montgomery Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor - The financial statements of the District and the accompanying report McCall Gibson Swedlund Barfoot PLLC, as shown in "APPENDIX A," have been published with the agreement of McCall Gibson Swedlund Barfoot PLLC and are included in APPENDIX A.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audit reports are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Radcliffe Bobbitt Adams Polley PLLC, 2929 Allen Parkway, Suite 3450, Houston, Texas 77019-7120.

Certification as to Official Statement

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

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Initial Purchasers.

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 statement in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated is intended as such and not a representation of fact and no representation is made that any such statement will be realized.

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 8 as of the date shown on the cover page.

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2016

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2016

T A B L E O F C O N T E N T S

McCALL GIBSON SWEDLUND BARFOOT PLLC
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal Utility District No. 8
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. 8 (the "District"), as of and for the year ended December 31, 2016, 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. 8

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2016, 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 and Special Revenue Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 12, 2017

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

Management's discussion and analysis of Montgomery County Municipal Utility District No. 8's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The 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 fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Special Revenue Fund accounts for financial activities of the Regional Wastewater Treatment Plant. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of

FUND FINANCIAL STATEMENTS (Continued)

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's assets exceeded liabilities and deferred inflows of resources by $12,339,808 as of December 31, 2016. A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services. The following is a comparative analysis of government-wide changes in net position:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2016	2015	Change Positive (Negative)
Current and Other Assets	$ 8,865,536	$ 8,873,363	$ (7,827)
Capital Assets (Net of Accumulated Depreciation)	17,838,747	17,714,801	123,946
Total Assets	$ 26,704,283	$ 26,588,164	$ 116,119
Bonds Payable	$ 12,445,662	$ 12,739,631	$ 293,969
Other Liabilities	656,253	469,130	(187,123)
Total Liabilities	$ 13,101,915	$ 13,208,761	$ 106,846
Deferred Inflows of Resources	$ 1,262,560	$ 1,201,595	$ (60,965)
Net Position:			
Net Investment in Capital Assets	$ 7,354,994	$ 7,908,243	$ (553,249)
Restricted	102,513	159,274	(56,761)
Unrestricted	4,882,301	4,110,291	772,010
Total Net Position	$ 12,339,808	$ 12,177,808	$ 162,000

The following table provides a summary of the District's operations for the years ending December 31, 2016 and December 31, 2015. The District's net position increased by $162,000.

	Summary of Changes in the Statement of Activities		
	2016	2015	Change Positive (Negative)
Revenues:			
Property Taxes	$ 1,199,860	$ 1,108,894	$ 90,966
Charges for Services	1,664,462	1,890,042	(225,580)
Other Revenues	61,516	50,878	10,638
Total Revenues	$ 2,925,838	$ 3,049,814	$ (123,976)
Expenses for Services	2,763,838	2,741,045	(22,793)
Change in Net Position	$ 162,000	$ 308,769	$ (146,769)
Net Position, Beginning of Year	12,177,808	11,869,039	308,769
Net Position, End of Year	$ 12,339,808	$ 12,177,808	$ 162,000

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2016, were $7,030,162, a decrease of $259,409 from the prior year.

The General Fund fund balance increased by $770,461, primarily due to tax and service revenues exceeding the cost of operating and maintaining the District's system.

The Debt Service Fund fund balance decreased by $58,706, primarily due to the structure of the District's outstanding debt and a transfer from the General Fund.

The Capital Projects Fund fund balance decreased by $971,164, primarily due to current year capital expenditures paid from bond proceeds received in prior years.

BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the General Fund budget during the fiscal year. Actual revenues were $116,811 more than budgeted revenues primarily due to higher than anticipated tax revenues. Actual expenditures were $83,999 more than budgeted expenditures. See the budget to actual comparison. The Special Revenue Fund budget is revenue neutral.

CAPITAL ASSETS

Capital assets as of December 31, 2016, total $17,838,747 (net of accumulated depreciation). Capital asset activity during the current fiscal year included the Catahoula water well phase 1, sanitary sewer rehab, and wastewater treatment plant motor control center replacement and improvements.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2016	2015	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 396,008	$ 396,008	$
Construction in Progress	2,586,798	1,879,568	707,230
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	118,918	125,199	(6,281)
Water System	5,409,799	5,676,941	(267,142)
Wastewater System	8,704,721	8,990,057	(285,336)
Drainage System	622,503	647,028	(24,525)
Total Net Capital Assets	$ 17,838,747	$ 17,714,801	$ 123,946

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of $12,580,000. The changes in the debt position of the District during the fiscal year ended December 31, 2016, are summarized as follows:

Bond Debt Payable, January 1, 2016	$ 12,880,000
Less: Bond Principal Paid	300,000
Bond Debt Payable, December 31, 2016	$ 12,580,000

The District has an underlying rating of "A+". The Series 2012 Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The Series 2013 Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company.

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. 8, c/o Radcliffe Bobbitt Adams Polley PLLC, 2929 Allen Parkway, Suite 3450, Houston, TX 77019-7120.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2016

	General Fund	Special Revenue Fund
ASSETS		
Cash	$ 121,818	$ 65,990
Investments	4,065,033	
Receivables:		
Property Taxes	422,657	
Service Accounts (Net of Allowance for Uncollectible Accounts of $5,000)	131,706	
Accrued Interest	4,116	
Due from Other Funds	1,498,910	15,068
Prepaid Costs	23,596	4,082
Due from Participant	14,232	27,345
Advance for Joint Wastewater Treatment Plant Operations	38,732	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 6,320,800	$ 112,485

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 672,757	$ 32	$ 860,597	$	$ 860,597
297,020	2,935,006	7,297,059		7,297,059
80,146		502,803		502,803
		131,706		131,706
		4,116		4,116
		1,513,978	(1,513,978)	
		27,678		27,678
		41,577		41,577
		38,732	(38,732)	
			396,008	396,008
			2,586,798	2,586,798
			14,855,941	14,855,941
$ 1,049,923	$ 2,935,038	$ 10,418,246	$ 16,286,037	$ 26,704,283

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2016

	General Fund	Special Revenue Fund
LIABILITIES		
Accounts Payable	$ 268,390	$ 39,851
Accrued Interest Payable		
Due to Other Funds	15,246	
Security Deposits	93,761	
Reserved for Joint Wastewater Treatment Plant Operations		72,634
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 377,397	$ 112,485
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 1,083,380	$ -0-
FUND BALANCES		
Nonspendable:		
Prepaid Costs	$ 23,596	$
Operating Advances	38,732	
Restricted for Authorized Construction		
Restricted for Debt Service		
Unassigned	4,797,695	
TOTAL FUND BALANCES	$ 4,860,023	$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 6,320,800	$ 112,485
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 110,501	$ 418,742	$	$ 418,742
			109,848	109,848
636,104	862,628	1,513,978	(1,513,978)	
		93,761		93,761
		72,634	(38,732)	33,902
			310,000	310,000
			12,135,662	12,135,662
$ 636,104	$ 973,129	$ 2,099,115	$ 11,002,800	$ 13,101,915
$ 205,589	$ -0-	$ 1,288,969	$ (26,409)	$ 1,262,560
$	$	$ 23,596	$ (23,596)	$
		38,732	(38,732)	
	1,961,909	1,961,909	(1,961,909)	
208,230		208,230	(208,230)	
		4,797,695	(4,797,695)	
$ 208,230	$ 1,961,909	$ 7,030,162	$ (7,030,162)	$ - 0 -
$ 1,049,923	$ 2,935,038	$ 10,418,246		
			$ 7,354,994	$ 7,354,994
			102,513	102,513
			4,882,301	4,882,301
			$ 12,339,808	$ 12,339,808

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total Fund Balances - Governmental Funds		$ 7,030,162
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.		17,838,747
Deferred tax revenues for the 2015 and prior tax levies became part of recognized revenue in the governmental activities of the District.		26,409
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Accrued Interest Payable	$ (109,848)	
Bonds Payable	(12,445,662)	(12,555,510)
Total Net Position - Governmental Activities		$ 12,339,808

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

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	$ 980,606	$
Water Service	689,708	
Wastewater Service	645,404	600,962
Conservation District Fees	14,495	
Penalty and Interest	14,407	
Tap Connection and Inspection Fees	43,080	
Miscellaneous Revenues	49,408	
TOTAL REVENUES	$ 2,437,108	$ 600,962
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 325,874	$ 88,766
Contracted Services	99,046	33,650
Purchased Water Service	104,841	
Purchased Wastewater Service	256,513	
Utilities	10,534	102,263
Conservation District Assessments	10,747	
Repairs and Maintenance	459,744	92,368
Depreciation		
Other	159,449	190,860
Capital Outlay		93,055
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	$ 1,426,748	$ 600,962
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 1,010,360	$ -0-
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	$ (239,899)	$ -0-
NET CHANGE IN FUND BALANCES	$ 770,461	$ -0-
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2016	4,089,562	
FUND BALANCES/NET POSITION - DECEMBER 31, 2016	$ 4,860,023	$ -0-

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
$ 217,389	$	$ 1,197,995	$ 1,865	$ 1,199,860
		689,708		689,708
		1,246,366	(349,568)	896,798
		14,495		14,495
5,974		20,381		20,381
		43,080		43,080
1,119	10,989	61,516		61,516
$ 224,482	$ 10,989	$ 3,273,541	$ (347,703)	$ 2,925,838
$	$ 7,140	$ 421,780	$	$ 421,780
14,570		147,266		147,266
		104,841		104,841
		256,513	(256,513)	
		112,797		112,797
		10,747		10,747
		552,112		552,112
			583,284	583,284
33,572	78	383,959		383,959
	707,230	800,285	(800,285)	
300,000		300,000	(300,000)	
442,650		442,650	4,402	447,052
$ 790,792	$ 714,448	$ 3,532,950	$ (769,112)	$ 2,763,838
$ (566,310)	$ (703,459)	$ (259,409)	$ 421,409	$ 162,000
$ 507,604	$ (267,705)	$ -0-	$ -0-	$ -0-
$ (58,706)	$ (971,164)	$ (259,409)	$ 259,409	$
			162,000	162,000
266,936	2,933,073	7,289,571	4,888,237	12,177,808
$ 208,230	$ 1,961,909	$ 7,030,162	$ 5,309,646	$ 12,339,808

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balances - Governmental Funds	$ (259,409)
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.	1,865
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.	(583,284)
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.	707,230
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.	300,000
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.	(4,402)
Change in Net Position - Governmental Activities	$ 162,000

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 8 (the "District") was created effective September 12, 1972, by an Order of the Texas Water Rights Commission, presently known as 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, 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 December 27, 1972, and the first bonds were sold on September 17, 1973.

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 a joint venture with Montgomery County Municipal Utility District No. 9 for the construction and operation of joint wastewater treatment facilities. Oversight responsibility of the facilities is by the District. Additional disclosure is provided in Note 9.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

GASB Codification set 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 sets 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.

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 four governmental funds and considers each to be a major fund.

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

Special Revenue Fund - To account for financial activities of the joint wastewater treatment facilities.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include 2015 taxes collected during the period October 1, 2015, to December 31, 2016. In addition, taxes collected from January 1, 2016, to December 31, 2016, for the 2014 and prior tax levies are included in revenue. The 2016 tax levy has been fully deferred to finance the District's 2017 fiscal year operations.

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.

Capital Assets

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

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

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts unappropriated budgets for the General Fund and the Special Revenue Fund. Neither budget was amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service determined that directors are considered to be "employees" for Federal payroll tax purposes only.

Measurement Focus

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

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

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

NOTE 3. LONG-TERM DEBT

	Series 2011	Series 2012
Amount Outstanding - December 31, 2016	$ 2,525,000	$ 8,135,000
Interest Rates	2.32% - 5.02%	2.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	April 1, 2017/2036	April 1, 2017/2039
Interest Payment Dates	April 1, October 1	April 1, October 1
Callable Dates	April 1, 2023*	April 1, 2018**

* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part in inverse order of maturity in integral multiples of $5,000 at the option of the District.

** Or on any date thereafter, in whole or from time to time in part, at the option of the District, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2012 term bonds due April 1, 2028, April 1, 2030, April 1, 2032, April 1, 2034, April 1, 2036, and April 1, 2039 are subject to mandatory redemption beginning April 1, 2027, April 1, 2029, April 1, 2031, April 1, 2033, April 1, 2035, and April 1, 2037, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2013
Amount Outstanding - December 31, 2016	$ 1,920,000
Interest Rates	2.00% - 3.50%
Maturity Dates - Serially Beginning/Ending	April 1, 2017/2039
Interest Payment Dates	April 1, October 1
Callable Dates	April 1, 2020***

*** Or on any date thereafter, in whole or from time to time in part, at the option of the District, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2013 term bonds due April 1, 2023, April 1, 2027, April 1, 2031, April 1, 2035, and April 1, 2039 are subject to mandatory redemption beginning April 1, 2021, April 1, 2024, April 1, 2028, April 1, 2032, and April 1, 2036, respectively.

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2016:

	January 1, 2016	Additions	Retirements	December 31, 2016
Bonds Payable	$ 12,880,000	$	$ 300,000	$ 12,580,000
Unamortized Discounts	(140,369)		(6,031)	(134,338)
Bonds Payable, Net	$ 12,739,631	$ -0-	$ 293,969	$ 12,445,662

Amount Due Within One Year	$ 310,000
Amount Due After One Year	12,135,662
Bonds Payable, Net	$ 12,445,662

NOTE 3. LONG-TERM DEBT (Continued)

As of December 31, 2016, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	$ 310,000	$ 435,922	$ 745,922
2018	320,000	429,001	749,001
2019	340,000	421,782	761,782
2020	355,000	413,967	768,967
2021	370,000	405,488	775,488
2022-2026	2,235,000	1,860,238	4,095,238
2027-2031	2,875,000	1,437,193	4,312,193
2032-2036	3,710,000	798,437	4,508,437
2037-2039	2,065,000	123,350	2,188,350
	$ 12,580,000	$ 6,325,378	$ 18,905,378

As of December 31, 2016, the District had authorized but unissued tax bonds in the amount of $16,220,000. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount and certain bonds are further payable from the net system revenues of the District.

During the year ended December 31, 2016, the District levied an ad valorem debt service tax rate of $0.0423 per $100 of assessed valuation, which resulted in a tax levy of $201,458 on the adjusted taxable valuation of $476,258,003 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.

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.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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 to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

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 the issue.

The District's Series 2011 bond order requires monthly deposits into the Reserve Fund in an amount not less than 1/60th of the average annual principal and interest requirements on the bonds until the Reserve Fund contains an amount equal to 100% or more of the average annual principal and interest requirements of the Bonds as of the initial delivery date of the Bonds. The District maintains a separate reserve fund bank account for the 2011 bonds which has a December 31, 2016, balance of $195,581. The District also maintains a separate interest and sinking fund bank account for the 2011 bonds with a December 31, 2016, balance of $80,022. The remaining Debt Service Fund money is available to provide for the future debt service payments on the 2012 and 2013 bonds and is held in separate bank accounts.

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 $3,275,597 and the bank balance was $2,867,645. The District was not exposed to custodial credit risk at year-end.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2016, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 121,818	$ 2,415,000	$ 2,536,818
SPECIAL REVENUE FUND	65,990		65,990
DEBT SERVICE FUND	672,757		672,757
CAPITAL PROJECTS FUND	32		32
TOTAL DEPOSITS	$ 860,597	$ 2,415,000	$ 3,275,597

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. 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)

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. As of December 31, 2016, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 1,650,033	$ 1,650,033
Certificates of Deposit	2,415,000	2,415,000
DEBT SERVICE FUND		
TexPool	297,020	297,020
CAPITAL PROJECTS FUND		
TexPool	2,935,006	2,935,006
TOTAL INVESTMENTS	$ 7,297,059	$ 7,297,059

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment rating for TexPool is AAAm. The District considers the investment in TexPool to have a maturity of less than one year since the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District manages credit risk and interest rate risk by investing in certificates of deposit covered by federal depository insurance and with maturities of less than one year.

All cash and investments of the Special Revenue Fund are restricted for the payment of wastewater treatment plant operations. All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 is as follows:

	January 1, 2016	Increases	Decreases	December 31, 2016
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 396,008	$	$	$ 396,008
Construction in Progress	1,879,568	707,230		2,586,798
Total Capital Assets Not Being Depreciated	$ 2,275,576	$ 707,230	$ -0-	$ 2,982,806
Capital Assets Subject to Depreciation				
Buildings and Improvements	$ 326,559	$	$	$ 326,559
Water System	7,642,692			7,642,692
Wastewater System	11,736,700			11,736,700
Drainage System	1,100,633			1,100,633
Total Capital Assets Subject to Depreciation	$ 20,806,584	$ -0-	$ -0-	$ 20,806,584
Accumulated Depreciation				
Buildings and Improvements	$ 201,360	$ 6,281	$	$ 207,641
Water System	1,965,751	267,142		2,232,893
Wastewater System	2,746,643	285,336		3,031,979
Drainage System	453,605	24,525		478,130
Total Accumulated Depreciation	$ 5,367,359	$ 583,284	$ -0-	$ 5,950,643
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 15,439,225	$ (583,284)	$ -0-	$ 14,855,941
Total Capital Assets, Net of Accumulated Depreciation	$ 17,714,801	$ 123,946	$ -0-	$ 17,838,747

NOTE 7. MAINTENANCE TAX

On April 5, 1975, the voters of the District approved the levy and collection of a maintenance tax not to exceed $0.25 per $100 of assessed valuation of taxable property within the District. On August 12, 2000, the voters of the District approved an increase in the maintenance tax rate not to exceed $0.50 per $100 of assessed valuation of taxable property within the District. During the current fiscal year the District levied an ad valorem maintenance tax rate of $0.2228 per $100 of assessed valuation, which resulted in a tax levy of $1,061,102 on the adjusted taxable valuation of $476,258,003 for the 2016 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s waterworks and wastewater system. The 2016 tax levy has been fully deferred.

NOTE 8. CONTRACT TAXES

At an election held on August 8, 1981, the voters authorized the levy of a contract tax for firefighting purposes. During the fiscal year ended December 31, 2016, the District did not levy a contract tax.

NOTE 9. CONTRACTS WITH OTHER DISTRICTS

Waste Disposal Agreement

On March 29, 1977, the District entered into a waste disposal contract with Montgomery County Municipal Utility District No. 9 ("District No. 9"), which allowed District No. 9 to purchase 165,000 gallons-per-day capacity in the District's 500,000 gallons-per-day sewage treatment plant for a period of 40 years. On August 12, 1983, the districts entered into an agreement to expand the capacity of the sewage treatment plant to 1,000,000 gallons-per-day. District No. 9's capacity in the expanded plant is 615,000 gallons-per-day. On January 1, 2005, the districts executed the Second Amendment to Contract for Financing, Construction and Operations of Regional Wastewater Treatment Facilities whereby the districts agree to the possible future expansion of plant capacity to 1,500,000 gallons-per-day. In the event of such expansion, each district will be entitled to its pro rata share of the additional capacity in the plant based upon each districts' ownership percentage prior to such expansion. The term of this agreement is 20 years from the date of the second amendment. Presently, the plant is permitted a total capacity of 800,000 gallons-per-day. Under the terms of the contract, the District is the owner and operator of the waste disposal system and retains legal title and District No. 9 is considered beneficial owner to the extent of District No. 9's reserved capacity. Operating costs are allocated to the districts based on the pro rata share of total volume of water consumed by both districts.

Water Supply Agreement

On March 19, 1982, the District entered into a water supply and billing agreement with District No. 9 to open the water supply interconnect and supply water to each other through the coordinated operation of their water plants. On April 1, 2005, the District and District No. 9 executed the Amended and Restated Water Supply and Billing Agreement. Under the terms of the agreement, electricity and chemical costs are to be prorated between the districts based on their share of the total volume of water billed. All other costs relating to the operation of each districts' plant are to be paid for by the district owning the water plant. The District's share of electricity and chemical costs during the current fiscal year was $104,841.

NOTE 10. 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 2362 (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.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and 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 12. INTERFUND LIABILITIES AND TRANSFERS

As of December 31, 2016, the General Fund owed the Special Revenue Fund $15,246 for joint wastewater treatment plant operations, the Debt Service Fund owed the General Fund $636,104 for maintenance tax collections, and the Capital Projects Fund owed the General Fund $862,628 for bond issuance costs and construction costs paid by the General Fund.

During the year, the General Fund transferred $507,604 to the Debt Service Fund for debt service payments and the Capital Projects Fund transferred $267,705 to the General Fund to reimburse for the wastewater treatment plant lift station expense.

NOTE 13. USE OF SURPLUS FUNDS

On August 29, 2016, the Commission approved the use of $2,953,705 in surplus funds to pay for wastewater manhole rehabilitation, wastewater treatment plant motor control center replacement and improvement, and the District No. 9 water plant no. 1 (Buckingham) improvements joint participation project.

NOTE 14. INTERLOCAL AGREEMENT FOR FINANCING, CONSTRUCTION, OWNERSHIP, OPERATION, AND MAINTENANCE OF WATER FACILITIES

On March 10, 2011, the District executed an Interlocal Agreement for Financing, Construction, Ownership, Operation and Maintenance of Water Facilities with District No. 9. On December 11, 2014, the districts executed a revised agreement in order to include the Buckingham Street Catahoula Facilities ("Buckingham") in the districts' joint groundwater reduction plan (GRP) and to accurately set out the agreement between the districts related to the operation and maintenance of the alternative water supply facilities. In addition to the Buckingham facilities, the districts' GRP includes the Browning Street Catahoula Facilities ("Browning"). The agreement is in effect until December 11, 2054.

The District is responsible for the design, construction and maintenance of the Browning facilities while District No. 9 will be responsible for the design, construction and maintenance of the Buckingham facilities. The districts will share equally the costs for the design and construction of both facilities. Legal title to the Browning facilities will be with the District while legal title for the Buckingham facilities will be with District No. 9.

The District will prepare monthly billings which allocate operating costs of both facilities to the District and District No. 9. Operating and maintenance costs for chemicals, electricity and permits will be allocated based on the proportion of the number of gallons of water billed by each district to the total amount of gallons of water billed by both districts and repairs to facilities will be paid equally by both districts.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 845,000	$ 980,606	$ 135,606
Water Service	680,000	689,708	9,708
Wastewater Service	660,000	645,404	(14,596)
Conservation District Fees	14,102	14,495	393
Penalty and Interest	15,000	14,407	(593)
Tap Connection and Inspection Fees	66,770	43,080	(23,690)
Miscellaneous Revenues	39,425	49,408	9,983
TOTAL REVENUES	$ 2,320,297	$ 2,437,108	$ 116,811
EXPENDITURES			
Services Operations:			
Professional Fees	$ 261,300	$ 325,874	$ (64,574)
Contracted Services	97,250	99,046	(1,796)
Purchased Water Service	98,000	104,841	(6,841)
Purchased Wastewater Service	236,209	256,513	(20,304)
Utilities	12,650	10,534	2,116
Conservation District Assessments	28,000	10,747	17,253
Repairs and Maintenance	422,500	459,744	(37,244)
Other	186,840	159,449	27,391
TOTAL EXPENDITURES	$ 1,342,749	$ 1,426,748	$ (83,999)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 977,548	$ 1,010,360	$ 32,812
OTHER FINANCING SOURCES(USES)			
Transfers Out	$ (532,000)	$ (239,899)	$ 292,101
NET CHANGE IN FUND BALANCE	$ 445,548	$ 770,461	$ 324,913
FUND BALANCE - JANUARY 1, 2016	4,089,562	4,089,562	
FUND BALANCE - DECEMBER 31, 2016	$ 4,535,110	$ 4,860,023	$ 324,913

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Wastewater Service	$ 478,640	$ 507,907	$ 29,267
Capital Contributions	2,898,000	93,055	(2,804,945)
TOTAL REVENUES	$ 3,376,640	$ 600,962	$ (2,775,678)
EXPENDITURES			
Services Operations:			
Professional Fees	$ 16,100	$ 88,766	$ (72,666)
Contracted Services	36,000	33,650	2,350
Utilities	80,400	102,263	(21,863)
Repairs and Maintenance	153,000	92,368	60,632
Other	168,140	190,860	(22,720)
Capital Outlay	2,923,000	93,055	2,829,945
TOTAL EXPENDITURES	$ 3,376,640	$ 600,962	$ 2,775,678
NET CHANGE IN FUND BALANCE	$ -0-	$ -0-	$ -0-
FUND BALANCE - JANUARY 1, 2016			
FUND BALANCE - DECEMBER 31, 2016	$ -0-	$ -0-	$ -0-

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

DECEMBER 31, 2016

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2016

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

X	Retail Water		Wholesale Water	X	Drainage
X	Retail Wastewater		Wholesale Wastewater		Irrigation
	Parks/Recreation		Fire Protection		Security
	Solid Waste/Garbage		Flood Control		Roads

X 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 approved February 12, 2015.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 12.00	4,000	N	$ 2.25	4,001 - 10,000
				$ 2.50	10,001 - 15,000
				$ 3.00	15,001 - 20,000
				$ 3.50	20,001 - 30,000
				$ 5.00	30,001 and up
WASTEWATER:	$ 26.00		Y		
SURCHARGE: Groundwater Conservation District			N	$ 0.07	Per 1,000 gallons

District employs winter averaging for wastewater usage? ___ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $25.50 Wastewater: $26.00 Surcharge: $0.70

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2016

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"	1,620	1,586	x 1.0	1,586
1"	52	52	x 2.5	130
1½"	3	3	x 5.0	15
2"	22	27	x 8.0	216
3"			x 15.0	
4"	2	2	x 25.0	50
6"	2	2	x 50.0	100
8"			x 80.0	
10"			x 115.0	
Total Water Connections	1,701	1,672		2,097
Total Wastewater Connections	1,636	1,607	x 1.0	1,607

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

Gallons pumped into system:	427,117,000	Water Accountability Ratio: *
Gallons billed to customers:	411,030,000	

* Water for MCMUD #8 is supplied by four water wells, two of which are owned and operated by MCMUD #8 and located in its service area, and the other two which are owned and operated by MCMUD #9 and located in MCMUD #9's service area. All of these wells draw water from groundwater sources. Because the public water systems used by each MCMUD #8 and MCMUD #9 were originally designed and developed as a single system, these two districts share multiple interconnects between the two water systems that remain open during the entire year. Because there is no way to accurately calculate the connections that used only water from just MCMUD #8 wells, the accountability for the district is going to vary along with MCMUD #9. The total above represents the entire system. The water system as a whole averaged an accountability of 96.23%.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Does the District have Debt Service standby fees? Yes __ No _X_

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes _X_ No _____

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely _____ Partly _______ Not at all _X_

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

Entirely _X_ Partly _______ Not at all _____

ETJ in which District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No _X_

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016

PROFESSIONAL FEES:		
Auditing	$	13,500
Engineering		169,625
Legal		141,649
Financial Advisor		1,100
TOTAL PROFESSIONAL FEES	$	325,874
PURCHASED SERVICES FOR RESALE:		
Purchased Water Service	$	104,841
Purchased Wastewater Service		256,513
TOTAL PURCHASED SERVICES FOR RESALE	$	361,354
CONTRACTED SERVICES:		
Bookkeeping	$	31,908
Operations and Billing		67,138
TOTAL CONTRACTED SERVICES	$	99,046
UTILITIES:		
Electricity	$	9,152
Telephone		1,382
TOTAL UTILITIES	$	10,534
REPAIRS AND MAINTENANCE	$	459,744
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	17,700
Insurance		28,393
Office Supplies and Postage		22,839
Payroll Taxes		1,354
Payroll Administration		3,407
Travel and Meetings		10,139
Other		12,228
TOTAL ADMINISTRATIVE EXPENDITURES	$	96,060
TAP CONNECTIONS	$	22,500
OTHER EXPENDITURES:		
Chemicals	$	2,764
Conservation District Assessments		10,747
Laboratory Fees		5,598
Permit Fees		5,517
Reconnection Fees		14,641
Inspection Fees		5,761
Regulatory Assessment		6,608
TOTAL OTHER EXPENDITURES	$	51,636
TOTAL EXPENDITURES	$	1,426,748

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
INVESTMENTS
DECEMBER 31, 2016

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0001	Varies	Daily	$ 1,650,033	$
Certificate of Deposit	XXXX4487	0.50%	09/18/17	240,000	227
Certificate of Deposit	XXXX0329	0.35%	02/14/17	240,000	587
Certificate of Deposit	XXXX6610	0.50%	03/20/17	145,000	445
Certificate of Deposit	XXXX1672	0.40%	08/10/17	240,000	205
Certificate of Deposit	XXXX0209	0.45%	11/22/17	240,000	12
Certificate of Deposit	XXXX1466	0.45%	03/24/17	240,000	642
Certificate of Deposit	XXXX0009	0.70%	07/18/17	145,000	462
Certificate of Deposit	XXXX6646	0.50%	06/06/17	100,000	237
Certificate of Deposit	XXXX2728	0.40%	10/23/17	240,000	89
Certificate of Deposit	XXXX2545	0.35%	01/23/17	145,000	423
Certificate of Deposit	XXXX3454	0.35%	04/15/17	240,000	345
Certificate of Deposit	XXXX7671	0.40%	05/11/17	100,000	218
Certificate of Deposit	XXXX7670	0.40%	04/05/17	100,000	224
TOTAL GENERAL FUND				$ 4,065,033	$ 4,116
DEBT SERVICE FUND					
TexPool	XXXX0002	Varies	Daily	$ 80,022	$
TexPool	XXXX0006	Varies	Daily	195,581	
TexPool	XXXX0007	Varies	Daily	21,417	
TOTAL DEBT SERVICE FUND				$ 297,020	$ -0-
CAPITAL PROJECTS FUND					
TexPool	XXXX0004	Varies	Daily	$ 2,935,006	$ -0-
TOTAL - ALL FUNDS				$ 7,297,059	$ 4,116

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2016	$ 463,436		$ 101,945	
Adjustments to Beginning Balance	(1,422)	$ 462,014	(314)	$ 101,631
Original 2016 Tax Levy	$ 1,063,155		$ 201,847	
Adjustment to 2016 Tax Levy	(2,053)	1,061,102	(389)	201,458
TOTAL TO BE ACCOUNTED FOR		$ 1,523,116		$ 303,089
TAX COLLECTIONS:				
Prior Years	$ 439,736		$ 97,500	
Current Year	660,723	1,100,459	125,443	222,943
TAXES RECEIVABLE -				
DECEMBER 31, 2016		$ 422,657		$ 80,146
TAXES RECEIVABLE BY YEAR:				
2016		$ 400,379		$ 76,015
2015		4,575		1,014
2014		4,162		1,023
2013		2,418		718
2012		1,274		457
2011		1,791		
2010		1,783		
2009		1,033		
2008		891		
2007		832		
2006		838		
2005		272		
2004		278		
2003		290		
2002 and Prior		1,841		919
TOTAL		$ 422,657		$ 80,146

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015	2014	2013
TOTAL PROPERTY VALUATIONS	$ 476,258,003	$ 453,261,283	$ 418,430,209	$ 399,748,122
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.0423	$ 0.0481	$ 0.0523	$ 0.0607
Maintenance	0.2228	0.2170	0.2128	0.2044
TOTAL TAX RATES PER $100 VALUATION	$ 0.2651	$ 0.2651	$ 0.2651	$ 0.2651
ADJUSTED TAX LEVY*	$ 1,262,560	$ 1,201,595	$ 1,109,074	$ 1,059,240
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	62.27 %	99.53 %	99.53 %	99.69 %

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

Maintenance Tax – Maximum tax rate of $0.50 per $100 of assessed valuation approved by voters on August 12, 2000.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016

	SERIES-2011		
Due During Fiscal Years Ending December 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2017	$ 75,000	$ 106,522	$ 181,522
2018	75,000	104,651	179,651
2019	80,000	102,482	182,482
2020	85,000	99,967	184,967
2021	90,000	97,103	187,103
2022	95,000	93,891	188,891
2023	100,000	90,310	190,310
2024	105,000	86,367	191,367
2025	110,000	82,071	192,071
2026	120,000	77,330	197,330
2027	125,000	72,159	197,159
2028	130,000	66,650	196,650
2029	135,000	60,792	195,792
2030	145,000	54,462	199,462
2031	155,000	47,529	202,529
2032	160,000	40,134	200,134
2033	170,000	32,303	202,303
2034	180,000	23,866	203,866
2035	190,000	14,762	204,762
2036	200,000	5,020	205,020
2037			
2038			
2039			
	$ 2,525,000	$ 1,358,371	$ 3,883,371

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016

	SERIES - 2012		
Due During Fiscal Years Ending December 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2017	$ 185,000	$ 273,825	$ 458,825
2018	195,000	270,025	465,025
2019	210,000	265,975	475,975
2020	220,000	261,675	481,675
2021	230,000	257,060	487,060
2022	245,000	251,888	496,888
2023	255,000	246,072	501,072
2024	270,000	239,570	509,570
2025	285,000	232,351	517,351
2026	300,000	224,450	524,450
2027	315,000	214,812	529,812
2028	335,000	203,438	538,438
2029	350,000	191,012	541,012
2030	370,000	177,513	547,513
2031	390,000	163,263	553,263
2032	410,000	148,264	558,264
2033	435,000	132,418	567,418
2034	455,000	115,732	570,732
2035	480,000	97,600	577,600
2036	505,000	77,900	582,900
2037	535,000	57,100	592,100
2038	565,000	35,100	600,100
2039	595,000	11,900	606,900
	$ 8,135,000	$ 4,148,943	$ 12,283,943

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016

	SERIES-2013		
Due During Fiscal Years Ending December 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2017	$ 50,000	$ 55,575	$ 105,575
2018	50,000	54,325	104,325
2019	50,000	53,325	103,325
2020	50,000	52,325	102,325
2021	50,000	51,325	101,325
2022	50,000	50,325	100,325
2023	75,000	49,075	124,075
2024	75,000	47,388	122,388
2025	75,000	45,513	120,513
2026	75,000	43,637	118,637
2027	75,000	41,763	116,763
2028	75,000	39,700	114,700
2029	75,000	37,450	112,450
2030	100,000	34,825	134,825
2031	100,000	31,825	131,825
2032	100,000	28,700	128,700
2033	100,000	25,450	125,450
2034	100,000	22,200	122,200
2035	100,000	18,950	118,950
2036	125,000	15,138	140,138
2037	125,000	10,762	135,762
2038	125,000	6,388	131,388
2039	120,000	2,100	122,100
	$ 1,920,000	$ 818,064	$ 2,738,064

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016

Due During Fiscal Years Ending December 31	ANNUAL REQUIREMENTS FOR ALL SERIES Total Principal Due	Total Interest Due	Total Principal and Interest Due
2017	$ 310,000	$ 435,922	$ 745,922
2018	320,000	429,001	749,001
2019	340,000	421,782	761,782
2020	355,000	413,967	768,967
2021	370,000	405,488	775,488
2022	390,000	396,104	786,104
2023	430,000	385,457	815,457
2024	450,000	373,325	823,325
2025	470,000	359,935	829,935
2026	495,000	345,417	840,417
2027	515,000	328,734	843,734
2028	540,000	309,788	849,788
2029	560,000	289,254	849,254
2030	615,000	266,800	881,800
2031	645,000	242,617	887,617
2032	670,000	217,098	887,098
2033	705,000	190,171	895,171
2034	735,000	161,798	896,798
2035	770,000	131,312	901,312
2036	830,000	98,058	928,058
2037	660,000	67,862	727,862
2038	690,000	41,488	731,488
2039	715,000	14,000	729,000
	$ 12,580,000	$ 6,325,378	$ 18,905,378

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2016

Description	Original Bonds Issued	Bonds Outstanding January 1, 2016
Montgomery County Municipal Utility District No. 8 Waterworks and Sewer System Revenue Bonds - Series 2011	$ 2,725,000	$ 2,595,000
Montgomery County Municipal Utility District No. 8 Unlimited Tax Bonds - Series 2012	8,485,000	8,315,000
Montgomery County Municipal Utility District No. 8 Unlimited Tax Bonds - Series 2013	1,970,000	1,970,000
TOTAL	$ 13,180,000	$ 12,880,000

Bond Authority:	Tax Bonds
Amount Authorized by Voters	$ 31,500,000
Amount Issued	15,280,000
Remaining to be Issued	$ 16,220,000

Debt Service Fund cash and investment balances as of December 31, 2016:	$ 969,777
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 821,973

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

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	December 31, 2016	Paying Agent
$	$ 70,000	$ 108,100	$ 2,525,000	Wells Fargo Bank N.A. Dallas, TX
	180,000	277,475	8,135,000	Amegy Bank N.A. Houston, TX
	50,000	57,075	1,920,000	Amegy Bank N.A. Houston, TX
$ - 0 -	$ 300,000	$ 442,650	$ 12,580,000	

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amount		
	2016	2015	2014
REVENUES			
Property Taxes	$ 980,606	$ 886,917	$ 824,676
Water Service	689,708	686,140	601,835
Wastewater Service	645,404	636,557	623,782
Conservation District Fees	14,495	13,919	14,102
Groundwater Reduction Plan Fees			83,951
Penalty and Interest	14,407	14,933	15,215
Tap Connection and Inspection Fees	43,080	64,170	58,355
Miscellaneous Revenues	49,408	43,027	37,211
TOTAL REVENUES	$ 2,437,108	$ 2,345,663	$ 2,259,127
EXPENDITURES			
Professional Fees	$ 325,874	$ 224,399	$ 238,244
Contracted Services	99,046	95,416	90,460
Purchased Water Service	104,841	99,385	85,861
Purchased Wastewater Service	256,513	285,198	202,109
Utilities	10,534	11,837	20,009
Conservation District Assessments	10,747	46,586	20,328
Repairs and Maintenance	459,744	464,870	532,160
Other	159,449	170,130	183,386
Capital Outlay		62,453	123,772
TOTAL EXPENDITURES	$ 1,426,748	$ 1,460,274	$ 1,496,329
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 1,010,360	$ 885,389	$ 762,798
OTHER FINANCING SOURCES (USES)			
Transfers Out	$ (239,899)	$ (440,094)	$ (59,664)
NET CHANGE IN FUND BALANCE	$ 770,461	$ 445,295	$ 703,134
BEGINNING FUND BALANCE	4,089,562	3,644,267	2,941,133
ENDING FUND BALANCE	$ 4,860,023	$ 4,089,562	$ 3,644,267

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
$ 751,198	$ 1,062,854	40.2 %	37.8 %	36.5 %	33.2 %	42.4 %
625,378	611,495	28.3	29.3	26.6	27.7	24.4
608,488	595,670	26.5	27.1	27.6	27.0	23.8
17,186	15,245	0.6	0.6	0.6	0.8	0.6
115,038	115,681			3.7	5.1	4.6
33,969	17,686	0.6	0.6	0.7	1.5	0.7
75,739	57,655	1.8	2.7	2.6	3.4	2.3
29,391	29,178	2.0	1.9	1.7	1.3	1.2
$ 2,256,387	$ 2,505,464	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 307,870	$ 406,532	13.4 %	9.6 %	10.5 %	13.6 %	16.2 %
90,332	86,119	4.1	4.1	4.0	4.0	3.4
88,703	85,708	4.3	4.2	3.8	3.9	3.4
208,855	219,670	10.5	12.2	8.9	9.3	8.8
9,557	10,446	0.4	0.5	0.9	0.4	0.4
22,793	16,866	0.4	2.0	0.9	1.0	0.7
442,631	408,465	18.9	19.8	23.6	19.6	16.3
192,373	194,778	6.5	7.3	8.1	8.5	7.8
35,207	209,042		2.7	5.5	1.6	8.3
$ 1,398,321	$ 1,637,626	58.5 %	62.4 %	66.2 %	61.9 %	65.3 %
$ 858,066	$ 867,838	41.5 %	37.6 %	33.8 %	38.1 %	34.7 %
$ (194,791)	$ (57,523)					
$ 663,275	$ 810,315					
2,277,858	1,467,543					
$ 2,941,133	$ 2,277,858					

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amount		
	2016	2015	2014
REVENUES			
Property Taxes	$ 217,389	$ 218,044	$ 242,088
Penalty and Interest	5,974	6,114	10,323
Miscellaneous Revenues	1,119	5,073	104
TOTAL REVENUES	$ 224,482	$ 229,231	$ 252,515
EXPENDITURES			
Tax Collection Expenditures	$ 14,570	$ 10,588	$ 9,750
Debt Service Principal	300,000	235,000	65,000
Debt Service Interest and Fees	476,222	450,482	454,535
TOTAL EXPENDITURES	$ 790,792	$ 696,070	$ 529,285
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (566,310)	$ (466,839)	$ (276,770)
OTHER FINANCING SOURCES (USES)			
Transfers In	$ 507,604	$ 455,524	$ 309,664
Long-Term Debt Issued			
TOTAL OTHER FINANCING SOURCES (USES)	$ 507,604	$ 455,524	$ 309,664
NET CHANGE IN FUND BALANCE	$ (58,706)	$ (11,315)	$ 32,894
BEGINNING FUND BALANCE	266,936	278,251	245,357
ENDING FUND BALANCE	$ 208,230	$ 266,936	$ 278,251
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,672	1,663	1,604
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,607	1,598	1,566

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
$ 267,227	$	96.8 %	95.1 %	95.9 %	98.7 %	%
3,186	2,197	2.7	2.7	4.1	1.2	93.3
224	159	0.5	2.2		0.1	6.7
$ 270,637	$ 2,356	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 31,904	$ 10,483	6.5 %	4.6 %	3.9 %	11.8 %	444.9 %
		133.6	102.5	25.7		
412,185	198,829	212.1	196.5	180.0	152.3	8,439.3
$ 444,089	$ 209,312	352.2 %	303.6 %	209.6 %	164.1 %	8,884.2 %
$ (173,452)	$ (206,956)	(252.2) %	(203.6) %	(109.6) %	(64.1) %	(8,784.2) %
$ 194,791	$ 57,523					
19,275	282,675					
$ 214,066	$ 340,198					
$ 40,614	$ 133,242					
204,743	71,501					
$ 245,357	$ 204,743					
1,564	1,523					
1,534	1,503					

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2016

District Mailing Address	-	Montgomery County Municipal Utility District No. 8 c/o Radcliffe Bobbitt Adams Polley PLLC 2929 Allen Parkway, Suite 3450 Houston, TX 77019-7120
District Telephone Number	-	(713) 237-1221

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2016	Expense Reimbursements for the year ended December 31, 2016	Title
John Tryon	05/2016 05/2020 (Elected)	$ 5,100	$ 1,752	President
Bob Leasure	05/2014 05/2018 (Elected)	$ 3,900	$ 1,321	Vice President/ Investment Officer
Margie Barlow	05/2014 05/2018 (Elected)	$ 2,850	$ 1,582	Secretary
Daniel L. Davis	05/2014 05/2018 (Elected)	$ 1,650	$ -0-	Assistant Secretary
John Patton	05/2016 05/2020 (Elected)	$ 4,200	$ 1,457	Director

Notes: No Director has any significant 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.

Submission date of most recent District Registration Form (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 August 13, 2003. 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. 8
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2016

		Fees for the year ended December 31, 2016		
Consultants:	Date Hired	District	Sewage Treatment Plant	Title
Radcliffe Bobbitt Adams Polley PLLC	10/08/03	$ 79,299	$ 173	General Counsel
McCall Gibson Swedlund Barfoot PLLC	01/23/97	$ 13,500	$ 2,750	Auditor
Municipal Accounts & Consulting, LP	01/01/06	$ 34,938	$ 3,413	Bookkeeper
Jones & Carter, Inc.	07/28/81	$ 282,586	$ 209,201	Engineer
GMS Group, LLC	01/13/10	$ 1,100	$ -0-	Financial Advisor
Hays Utility North Corporation	09/17/93	$ 704,469	$ 294,080	Operator

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

APPENDIX C

PHOTOGRAPHS TAKEN IN THE DISTRICT