OFFICIAL STATEMENT DATED SEPTEMBER 25, 2018

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

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

NEW ISSUE-Book-Entry Only

Insured Rating (AGM): S&P "AA"
Moody's "A2"
Underlying Rating: Moody's "Baa3"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$4,025,000
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX BONDS
SERIES 2018

Dated Date: October 1, 2018 **Due: September 1, as shown below**

The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest accrues from October 1, 2018, and is payable March 1, 2019 (five months of interest), and each September 1 and March 1 thereafter until the earlier of maturity or redemption on the basis of a 360 day year of twelve 30 day months.

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

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 **ASSURED GUARANTY MUNICIPAL CORP.** See "MUNICIPAL BOND INSURANCE" herein.

MATURITY SCHEDULE

Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)	Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)
2019	$ 75,000	5.500 %	2.000 %	61370W EA7	2026	$ 110,000 (b)	3.000 %	3.000 %	61370W EH2
2020	80,000	5.500	2.200	61370W EB5	2027	115,000 (b)	3.000	3.100	61370W EJ8
2021	85,000	5.500	2.400	61370W EC3	2028	120,000 (b)	3.000	3.200	61370W EK5
2022	90,000	5.500	2.600	61370W ED1	2029	125,000 (b)	3.000	3.300	61370W EL3
2023	95,000	5.500	2.700	61370W EE9	2030	130,000 (b)	3.250	3.500	61370W EM1
2024	100,000	5.000	2.800	61370W EF6	2031	135,000 (b)	3.375	3.600	61370W EN9
2025	105,000 (b)	3.000	2.900	61370W EG4					

$285,000 Term Bonds due September 1, 2033 (b), 61370W EQ2 (c), 3.500% Interest Rate, 3.750% Yield (a)
$305,000 Term Bonds due September 1, 2035 (b), 61370W ES8 (c), 3.625% Interest Rate, 3.850% Yield (a)
$670,000 Term Bonds due September 1, 2039 (b), 61370W EW9 (c), 3.750% Interest Rate, 3.950% Yield (a)
$1,400,000 Term Bonds due September 1, 2043 (b), 61370W FA6 (c), 4.000% Interest Rate, 4.060% Yield (a)

(a) Bonds maturing on and after September 1, 2025, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
(b) The Initial Purchaser may elect to designate one or more term bonds. See accompanying Official Notice of Sale and Official Bid Form.
(c) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of Montgomery County Municipal Utility District No. 99 (the "District") and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel. Delivery of the Bonds through DTC is expected on or about October 24, 2018.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

HURRICANE HARVEY

General... The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days.

Impact on the District... According to Municipal Operations & Consulting, Inc. (the “Operator”), the District’s water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. With the exception of an unverified report of one home flooding, the District is not aware of any homes within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

THE FINANCING

The Issuer... Montgomery County Municipal Utility District No. 99 (the “District”), a political subdivision of the State of Texas, located in Montgomery County, Texas. See “THE DISTRICT.”

The Issue... $4,025,000 Montgomery County Municipal Utility District No. 99 Unlimited Tax Bonds, Series 2018 (the “Bonds”), dated October 1, 2018. The Bonds mature serially on September 1 in each year 2019 through 2031, both inclusive, and as term bonds on September 1 in each of the years 2033, 2035, 2039, and 2043 (the “Term Bonds”) in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds will accrue from October 1, 2018, with interest payable March 1, 2019 (five months of interest) and each September 1 and March 1 thereafter until maturity. See “THE BONDS.”

Redemption... Bonds maturing on or after September 1, 2025 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2024, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

Book-Entry-Only System …	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry-Only System."
Source of Payment …	The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe or any entity other than the District. See "THE BONDS—Source of Payment."
Use of Proceeds...	Proceeds from the sale of the Bonds will be used to finance (1) clearing and grubbing in Meadows at Imperial Oaks; (2) water capacity purchase; (3) wastewater treatment plant capacity purchase; and (4) engineering fees. Bond proceeds will also be used to pay developer interest, six months of capitalized interest, reimbursement of certain costs associated with the issuance of the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."
Payment Record …	The District has previously issued four series of unlimited tax bonds for water, sewer and drainage facilities and one series of unlimited tax refunding bonds, $8,210,000 of which remains outstanding as of September 2, 2018 (the "Outstanding Bonds"). The District has never defaulted in the payment of principal of and interest on the Outstanding Bonds.
Qualified Tax-Exempt Obligations …	The Bonds have been designated as Qualified Tax-Exempt Obligations for financial institutions. See "TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions."
Municipal Bond Rating and Municipal Bond Insurance...	It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service, Inc. (Moody's) will assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, 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 Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). Moody's has also assigned an underlying rating of "Baa3" to the Bonds. An explanation of their ratings may be obtained from S&P or Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."
Bond Counsel …	Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, Houston, Texas.
Financial Advisor …	Masterson Advisors LLC, Houston, Texas.
Disclosure Counsel …	McCall Parkhurst & Horton L.L.P., Disclosure Counsel, Houston, Texas.
Investment Considerations …	The purchase and ownership of the Bonds are subject to special investment considerations, and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

THE DISTRICT

Description... The District is a political subdivision of the State of Texas, created by Order of the Texas Commission on Environmental Quality (the "Commission") on May 26, 2005, under the provisions of XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended. The District is located in southeastern Montgomery County approximately 25 miles north of downtown Houston and approximately 15 miles south of the City of Conroe. The District lies approximately three miles east of Interstate Highway 45 ("IH 45") and two miles north of Rayford Road and is bounded on the south by Rayford Road Municipal Utility District, and on the east by Montgomery County Municipal Utility District No. 115. The District contains approximately 398 acres and is wholly within the boundaries of Montgomery County Drainage District No. 10, the extraterritorial jurisdiction of the City of Conroe and the boundaries of the Conroe Independent School District. See "THE DISTRICT."

Status of Development … The current development in the District is being marketed under the name of The Meadows at Imperial Oaks as a continuation of the existing development in Imperial Oaks Park, a predominantly single-family residential community. Development of Imperial Oaks Park within the District began in 2006. With the consent of the District, the Developer has financed the design and construction of water, sanitary sewer, and drainage facilities to serve Imperial Oaks Park, Sections 12, 12A and 14 and The Meadows at Imperial Oaks, Sections 1 through 7 and 9 (approximately 162 acres of land developed into 628 single-family residential lots). As of August 27, 2018, the District contained 444 occupied single-family homes, 10 vacant single-family homes, 26 single-family homes in various stages of construction, and 148 vacant lots available for home construction.

The District also contains approximately 152 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Additionally, approximately 84 acres of land are contained in drainage easements and plant sites. See "THE DISTRICT—Status of Development."

Homebuilders... Homebuilders active in the District include Ashton Woods, J. Patrick Homes and MHI, doing business as Plantation Homes and Coventry Homes. New homes in the District are being offered for sale at prices ranging from approximately $236,000 to $517,000. See "THE DISTRICT—Status of Development."

Developer... The developer of Imperial Oaks Park is 2005 Imperial Oaks, Ltd. ("2005 Imperial Oaks"), a Texas limited partnership, whose principal limited partner is Land Development Company, Ltd. ("Land Development Company") and whose general partner is 2005 Imperial Oaks, GP, LLC. Land Development Company is owned by entities related to MHI Partnership, Ltd. ("MHI"). 2005 Imperial Oaks developed Imperial Oaks Park, Sections 12, 12A and 14.

MHI created a second special purpose entity, 2014 Imperial Oaks Development, Inc. ("2014 Imperial Oaks"), to develop The Meadows at Imperial Oaks, Sections 1 through 7 and 9. Land Development Company is managing the development of The Meadows at Imperial Oaks on behalf of 2014 Imperial Oaks.

2005 Imperial Oaks and 2014 Imperial Oaks are collectively referred to herein as the "Developer." See "THE DEVELOPER."

SELECTED FINANCIAL INFORMATION

2018 Taxable Assessed Valuation	$114,953,869	(a)
Estimated Taxable Assessed Valuation as of July 1, 2018	$129,735,022	(b)
Gross Debt Outstanding (after the issuance of the Bonds)	$12,235,000	(c)
Estimated Overlapping Debt	7,762,007	(d)
Gross Debt and Estimated Overlapping Debt	$19,997,007	
Ratios of Gross Debt to:		
2018 Taxable Assessed Valuation	10.64%	
Estimated Taxable Assessed Valuation as of July 1, 2018	9.43%	
Ratios of Gross Debt and Estimated Overlapping Debt to:		
2018 Taxable Assessed Valuation	17.40%	
Estimated Taxable Assessed Valuation as of July 1, 2018	15.41%	
2018 Debt Service Tax Rate	$0.74	
2018 Maintenance Tax Rate	0.30	
2018 Total Tax Rate	$1.04/$100 A.V.	
Average Annual Debt Service Requirements (2019-2043) of the Bonds (“Average Requirement”)	$736,593	
Maximum Annual Debt Service Requirement (2021) of the Bonds (“Maximum Requirement”)	$828,400	
Tax Rates Required to Pay Average Requirement (2019-2043) at a 95% Collection Rate		
Based upon 2018 Taxable Assessed Valuation	$0.68/$100 A.V.	
Based upon Estimated Taxable Assessed Valuation as of July 1, 2018	$0.60/$100 A.V.	
Tax Rates Required to Pay Maximum Requirement (2021) at a 95% Collection Rate		
Based upon 2018 Taxable Assessed Valuation	$0.76/$100 A.V.	
Based upon Estimated Taxable Assessed Valuation as of July 1, 2018	$0.68/$100 A.V.	
Status of home construction as of August 27, 2018:		
Single-family residential – completed and occupied	444	
Single-family residential – completed and unoccupied	10	
Single-family residential – under construction	26	
Single-family residential – vacant lots	148	
Total	628	

Estimated 2018 Population – 1,554 (e)

(a) The 2018 Taxable Assessed Valuation shown herein includes $111,072,729 of certified value and $3,881,140 of uncertified value. The uncertified value represents Montgomery Central Appraisal District’s (the “Appraisal District”) opinion of the value; however, such value is subject to review and downward adjustment prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See “TAX PROCEDURES.”

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on July 1, 2018. Increases in value that occur between January 1, 2018 and July 1, 2018 will be assessed for purposes of taxation on January 1, 2019.

(c) See “FINANCIAL STATEMENT—Outstanding Bonds.”

(d) See “ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT.”

(e) Based upon 3.5 persons per occupied home.

OFFICIAL STATEMENT

$4,025,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99

(A political subdivision of the State of Texas located within Montgomery County)

UNLIMITED TAX BONDS
SERIES 2018

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 99 (the "District") of its $4,025,000 Unlimited Tax Bonds, Series 2018 (the "Bonds").

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

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, 2005 Imperial Oaks, Ltd. and 2014 Imperial Oaks Development, Inc. (collectively referred to herein as the "Developer") and development activity within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of such documents may be obtained from the District upon payment of the costs of duplication therefor from Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

THE BONDS

Description

The Bonds are dated October 1, 2018, with interest payable each September 1 and March 1 (each an "Interest Payment Date"), beginning March 1, 2019 (five months of interest), and mature on the dates and in the principal amounts and pay interest at the rates shown on the cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

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

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Registration, Transfer and Exchange

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

Paying Agent/Registrar

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

Source of Payment

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

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

Funds

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

Accrued interest on the Bonds and six months of capitalized interest (or $100,625, whichever is less) will be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds including interest earnings thereon, will be deposited into the Capital Projects Fund to be used for the purpose of acquiring and constructing District facilities and for paying the costs of issuing the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues derived from operation of the District's water and sanitary sewer system and from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the water and sanitary sewer system and the District's storm drainage system, recreational facilities and street lights in the District. Any funds remaining in the General Fund after payment of maintenance and operating expenses, and to the extent they are ever necessary, after any payments pledged pursuant to the requirements of the Bonds, may be used by the District for any lawful purposes.

Redemption Provisions

Mandatory Redemption: The Term Bonds maturing on September 1 in each of the years 2033, 2035, 2039, and 2043 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced, at the option of the District, by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$285,000 Term Bonds Due September 1, 2033		$305,000 Term Bonds Due September 1, 2035		$670,000 Term Bonds Due September 1, 2039		$1,400,000 Term Bonds Due September 1, 2043	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2032	$ 140,000	2034	$ 150,000	2036	$ 160,000	2040	$ 350,000
2033 (maturity)	145,000	2035 (maturity)	155,000	2037	165,000	2041	350,000
				2038	170,000	2042	350,000
				2039 (maturity)	175,000	2043 (maturity)	350,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Order. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds, including the Term Bonds, maturing on or after September 1, 2025, prior to their scheduled maturities, in whole or in part, in integral multiples of $5,000, on September 1, 2024, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At an election held within the District on September 10, 2005, the voters of the District authorized the issuance of a total of $80,000,000 principal amount of unlimited tax bonds for purposes of acquiring and constructing the District's water, sanitary sewer and drainage facilities and for refunding outstanding Bonds of the District. After issuance of the Bonds, the District will have $66,605,000 principal amount of unlimited tax bonds authorized but unissued for purposes of acquiring and constructing the District's water, sanitary sewer, and drainage facilities and for refunding outstanding Bonds of the District. See "Issuance of Additional Debt" below.

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

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. See "LEGAL MATTERS—Legal Opinion."

Issuance of Additional Debt

The District's voters have authorized the issuance of $80,000,000 in principal amount of unlimited tax bonds for purposes of acquiring and constructing the District's water, sanitary sewer and drainage facilities to serve land within the District and for refunding outstanding Bonds of the District. The voters in the District could authorize additional amounts. After issuance of the Bonds, the District will have $66,605,000 in principal amount of unlimited tax bonds authorized but unissued unlimited tax bonds for purposes of acquiring and constructing water, sanitary sewer and drainage facilities and for refunding outstanding Bonds of the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be subsequently authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations adopted by the Commission. At this time, the District's voters have not authorized the issuance of bonds for recreational facilities.

The District is authorized by law to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation or reclamation districts, and to issue bonds payable from an ad valorem tax to finance such facilities, after approval by the City of Conroe, the Commission and voters of the District. The District has not considered calling such an election at this time.

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

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

Defeasance

The District may defease the Bonds pursuant to provisions of the Bond Order and discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished as follows: (1) by paying or causing to pay principal and interest due on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (2) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any and all interest to accrue on the Bonds to maturity or redemption; or (3) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable with revenues from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing the discharge moneys or investments which, together with interest earned on or profits to be realized from such investments, will be sufficient to pay principal, interest or redemption price to maturity or to the date fixed for redemption of the Bonds provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and /or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and /or redemption of the Bonds. Upon such payment or deposit, the Bonds shall no longer be regarded as outstanding and unpaid. However, if the maturity date on the Bonds shall not have then arrived, provision shall be made by the District for payment to the Registered Owners of the Bonds at the date of maturity or at a date fixed for redemption in full amount to which the Registered Owners would be entitled by way of principal, interest and redemption price to the date of such maturity or redemption as provided in the Bond Order, and further provided written notice thereof shall have been given as provided in the Bond Order.

Annexation

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

Consolidation

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

Strategic Partnership

Under Chapter 43 of the Texas Water Code the District may enter into a strategic partnership agreement with the City of Conroe wherein the District agrees to limited annexation by the City of the District for specific purposes. Such an agreement could include the imposition of certain sales and use taxes by the City on designated property within the District, the allocation of such revenue between the City and the District, and the provision of certain services by the City. The agreement may provide that the city is prohibited from a total annexation and dissolution of the District during the term of the Agreement. The District has not entered into any discussions with the City regarding such an agreement and no representation can be made regarding the likelihood of the District and the City entering into such an agreement in the future.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

"(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic."

"(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them."

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

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

Amendments

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

Registered Owners' Remedies

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

Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

THE DISTRICT

General

Montgomery County Municipal Utility District No. 99 (the "District") is a municipal utility district created by Order of the Texas Commission on Environmental Quality on May 26, 2005, under the provisions of XVI, Section 59, of the Texas Constitution. The District operates under provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission. The District is located wholly within the boundaries of Montgomery County Drainage District No. 10 and the Conroe Independent School District and is within the exclusive extraterritorial jurisdiction of the City of Conroe.

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

Description and Location

The District contains approximately 398 acres of land and is located in the southeastern portion of Montgomery County approximately 25 miles north of downtown Houston and approximately 15 miles south of the City of Conroe. The District lies approximately three miles east of Interstate Highway 45 ("IH 45") and two miles north of Rayford Road and is bounded on the south by Rayford Road Municipal Utility District, and on the east by Montgomery County Municipal Utility District No. 115.

Conroe Extraterritorial Jurisdiction

When the District was created on May 26, 2005, the District was not located within any city's extraterritorial jurisdiction ("ETJ"). Pursuant to an ordinance adopted by the City of Conroe in January 2008, Conroe annexed certain land into the City of Conroe, and, pursuant to applicable state law, Conroe's ETJ was expanded into unincorporated areas of Montgomery County, including the entire area of the District. The District is now located within Conroe's ETJ.

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

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

Status of Development

Current development in the District is being marketed under the name of The Meadows at Imperial Oaks as a continuation of Imperial Oaks Park, a predominantly single-family residential community. Development of Imperial Oaks Park began within the District in 2006. With the consent of the District, the Developer has financed the design and construction of water, sanitary sewer, and drainage facilities to serve Imperial Oaks Park, Sections 12, 12A and 14 and The Meadows at Imperial Oaks, Sections 1 through 7 and 9 (approximately 162 acres of land developed into 628 single-family residential lots). As of August 27, 2018, the District contained 444 occupied single-family homes, 10 vacant single-family homes, 26 single-family homes in various stages of construction, and 148 vacant lots available for home construction.

Homebuilders active in the District include Ashton Woods Homes, J. Patrick Homes, and MHI d.b.a. Plantation Homes and Coventry Homes. New homes in the District are being offered for sale at prices ranging from approximately $236,000 to $517,000.

The District also contains approximately 152 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Additionally, approximately 84 acres of land are contained in drainage easements and plant sites.

Drainage System

All of the land in the District is located within the boundaries of Montgomery County Drainage District No. 10 ("DD No. 10"). DD No. 10 is a conservation and reclamation district created by the Montgomery County Commissioners Court to construct and maintain drainage channels and stormwater detention facilities to provide outfall drainage within the Woodsons Gully and White Oak Creek watersheds. DD No. 10 levies an annual ad valorem tax on all taxable property within its boundaries to provide funds for maintenance of the drainage system. To date, DD No. 10 has issued three series of unlimited tax bonds and one series of unlimited tax refunding bonds, of which $10,460,000 in principal amount is outstanding. DD No. 10 bonds are payable from an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within its boundaries, which includes the land within the District. For 2017, DD No. 10 levied a tax at a rate of $0.44 per $100 taxable assessed valuation.

Community Facilities

A Kroger-anchored strip shopping center is located on Rayford Road approximately one mile south of the District. Several retail centers located at the intersection of IH 45 and Rayford Road and along IH 45 between Rayford Road and The Woodlands Parkway also provide residents of the District with shopping and banking facilities, and The Woodlands Mall, a regional shopping center, is located approximately five miles from the District. Additional retail improvements are under construction along Grand Parkway within one mile of the District. Additionally, Imperial Oaks Park, a 40-acre recreational facility with many amenities, is located one mile west of the District. Medical care for District residents is available from Memorial Hermann Woodlands Hospital, approximately seven miles from the District.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms, and elections are held in May in even numbered years only. None of the Directors reside within the District, but each owns a small parcel of land within the District, subject to a deed of trust in favor of the Developer. The Directors and Officers of the District are listed below:

Name	Title	Term Expires
Michael Winner	President	May 2022
Paul Wood	Vice President	May 2022
Debra Revels-Stoots	Secretary	May 2022
Rudolph C. Barajas	Assistant Secretary	May 2020
Chris Weatherly	Director	May 2020

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

Tax Appraisal

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

Tax Assessor/Collector

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

Bookkeeper

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

Operator

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

Engineer

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

Attorney

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Financial Advisor

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

Auditor

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

THE DEVELOPER

Role of a Developer

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

The Developer is not obligated to pay principal of or interest on the Bonds. Furthermore, the Developer has no binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

2005 Imperial Oaks, Ltd. and 2014 Imperial Oaks Development, Inc.

The developer of Imperial Oaks Park is 2005 Imperial Oaks, Ltd. ("2005 Imperial Oaks"), a Texas limited partnership, whose principal limited partner is Land Development Company, Ltd. ("Land Development Company") and whose general partner is 2005 Imperial Oaks, GP, LLC. Land Development Company is owned by entities related to MHI Partnership, Ltd. ("MHI"). 2005 Imperial Oaks developed Imperial Oaks Park, Sections 12, 12A and 14.

MHI created a second special purpose entity, 2014 Imperial Oaks Development, Inc. ("2014 Imperial Oaks"), to develop The Meadows at Imperial Oaks, Sections 1 through 7 and 9. Land Development Company is managing the development of The Meadows at Imperial Oaks on behalf of 2014 Imperial Oaks.

2005 Imperial Oaks and 2014 Imperial Oaks are collectively referred to herein as the "Developer." The Developer has completed the development of 628 single family residential lots located in the District to provide building sites on which Ashton Woods, J. Patrick Homes and MHI, doing business as Plantation Homes and Coventry Homes, is constructing homes.

THE SYSTEM

Regulation

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

Shared Central Plant Facilities

In the initial planning of development within the District and Montgomery County Municipal Utility District No. 115 ("MUD 115"), the developers of both the District and MUD 115 agreed that the districts would share the costs of construction and operations and maintenance of central plant facilities to serve the districts, including one or more water plants, a wastewater treatment plant and one or more lift stations in order to achieve efficiency in operations and cost savings for the customers and taxpayers of both districts. The District, MUD 115 and the developers of both districts subsequently entered into a Fourth Amended and Restated Water Supply Agreement dated June 4, 2015 (the "Water Supply Agreement") and a Second Amended Waste Disposal Agreement dated May 27, 2014 (the "Waste Disposal Agreement"). Pursuant to the current Water Supply Agreement, neighboring Montgomery County Municipal Utility District No. 127 ("MUD 127") was added as a party. MUD 127 has purchased water capacity and will continue to do so as its development progresses.

Pursuant to the Water Supply Agreement and the Waste Disposal Agreement, the District holds legal title to the central plant facilities and operates the facilities. The District and MUD 115 own an equitable share of the capacity in the central plant facilities, and the District and MUD 115 share the costs of operations and maintenance of the central plant facilities as provided in the Agreements. MUD 127 also owns an equitable share of capacity in the water plant facilities. MUD 127 will operate its own sewage treatment plant and will therefore not participate in the shared sewer facilities.

The water distribution systems of all three districts are interconnected at multiple locations, and the combined water distribution systems serve as a single integrated system receiving water from the shared water plant. The sanitary sewer collection systems of both the District and MUD 115 are interconnected at multiple locations, and the combined sewer collection systems serve as an integrated collection system delivering wastewater to the shared lift station and wastewater treatment plant.

The District, MUD 115 and MUD 127 are responsible for and bear the cost of maintenance and operation of the water distribution systems, and the District and MUD 115 are responsible for the cost of maintenance and operation of the sewer collection systems within their respective boundaries. There is one exception: a segment of water line and a segment of sewer line serve MUD 115 and the District. Construction costs of those shared lines were paid for based upon each party's pro rata share of the capacity of each line. The districts have a cost-sharing agreement for capital costs and maintenance costs associated with the shared lines.

The developers in the District and MUD 115 financed construction of the initial phase of the shared water plant, wastewater treatment plant and lift station, and the initial phase of construction has been completed in both districts.

Water Supply

The District owns water supply capacity in two shared water plants operated by the District and shared with MUD 115 and MUD 127. The first water plant consists of a 900 gallons per minute ("gpm") well, a guaranteed 410 gpm surface water feed, two 318,000 gallon ground storage tanks, two 15,000 gallon pressure tanks, booster pump capacity of 3,450 gpm and related appurtenant equipment. According to the District engineer, the water plant has sufficient capacity to serve approximately 2,183 equivalent single-family connections ("ESFCs"). The District's share of the water plant capacity is 462 ESFCs. The recently constructed second water plant consists of a 1,200 gpm well, a 318,000 gallon ground storage tank, two 900 gpm booster pumps, a 15,000 gallon pressure tank, and related appurtenant equipment. According to the District's engineer, the combined water plant capacity is 3,683 ESFCs, and the District owns 462 ESFCs of capacity in the shared water system and will purchase an additional 85 ESFCs with Bond Proceeds for a total of 547 ESFCs. Pursuant to the Water Supply Agreement, the District has a right to purchase additional capacity or upgrade the facilities, as needed, to serve its development, and MUD 115 and MUD 127 have the right to purchase additional capacity, as needed.

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

Water Supply Contract

The District is a party to a water supply contract with White Oak Water Supply Corporation ("White Oak"), a Texas non- profit water supply corporation that owns and operates a water supply system that serves the White Oak Estates community adjacent to the District. The District has agreed to reserve capacity in the District's well and to sell up to 68,000 gallons of water per day to White Oak.

The District constructed a water line to interconnect the District's system with the White Oak water distribution system, and the District installed metering equipment at the point of interconnection, for which White Oak paid one-half of the costs. White Oak is receiving water through an interconnect. The water supply contract does not require White Oak to supply water to the District, whether in an emergency or otherwise.

Wastewater Treatment

The District owns capacity in the shared 399,000 gallon per day ("gpd") interim wastewater treatment plant with MUD 115. The current permitted capacity of the interim treatment plant is 399,000 gpd, and the ultimate capacity of the permanent plant is projected to be 1,500,000 gpd. Construction of the treatment plant will be completed in phases. The first three phases are complete, and design of the fourth expansion of the wastewater treatment plant is underway. It is estimated that the wastewater treatment plant will be expanded to 525,000 gpd which will provide capacity to serve 2,333 ESFCs. The current interim treatment plant has the capacity to serve 1,564 ESFCs, of which the District currently owns 412 ESFCs. As of August 27, 2018, the shared wastewater treatment plant is serving a total of 1,821 connections for both the District and MUD 115 and operating at approximately 64% percent of its permitted capacity.

Unused connections in the plant are available until the next expansion is completed and can be utilized by either the District or MUD 115, which would provide both districts with the capacity they need to serve the existing connections. MUD 115 recently sold bonds and a part of the proceeds from the bond sale will be utilized to design the next expansion of the wastewater treatment plant.

Storm Drainage System and 100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

All of the land in the District is located within the boundaries of DD No. 10, whose systems of drainage channels and storm water detention ponds serve to remove and protect the land in the District from the 100-year floodplain. According to the most recent Federal Emergency Management Agency (FEMA) Floodplain Maps, approximately 5 acres of land in the District lie within the 100-year floodplain, in addition to the area contained within the drainage facilities. To date, there has been no development on the developable land within the floodplain. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

Lone Star Groundwater Conservation District

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

The Conservation District requires persons and entities, including the District, MUD 115 and MUD 127 that pump groundwater from wells to apply for and obtain permits for the withdrawal of groundwater under terms and conditions provided in the Conservation District's rules. The Conservation District has adopted its District Regulatory Plan, which calls for the reduction of groundwater withdrawal throughout Montgomery County to volumes that do not exceed the recharge capabilities of aquifers in the County to prevent the long term depletion of the aquifers. The regulatory plan allows for the creation of management zones within the County to facilitate conservation of use of groundwater and development of other water resources from surface water or re-use of treated effluent.

Large water users, including the District, MUD 115 and MUD 127, were required to prepare and submit a two-part Water Resources Assessment Plan ("WRAP") that identified methods and plans for reduction of groundwater usage through the development of alternate water resources, including the design and construction of infrastructure facilities to purchase and transport surface water to affected areas within the County. The initial requirement and deadline for reduction of groundwater use by the District, MUD 115 and MUD 127 by 30% was January 1, 2016.

The District and MUD 115 and later, by extension, MUD 127 participated in a joint WRAP prepared by the San Jacinto River Authority as described below, and the District is in compliance with Conservation District requirements.

The Conservation District currently bills permit holders $0.105 per 1,000 gallons of water pumped from wells to finance the Conservation District's operations. This amount is subject to future increases.

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

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

SJRA offered to enter into a contract for groundwater reduction planning, alternative water supply, and related goods and services (the "GRP Contract") with all large water users in the county to achieve the goals for reduction of groundwater pumpage for the entire county. Approximately 147 larger volume water users in Montgomery County, including the District and, by extension, MUD 115 and later in MUD 127, approved and entered into the GRP Contract ("collectively the "Participants") and are in compliance with SJRA and Conservation District requirements applicable to groundwater pumpage from the District well. The District exercised its right to expand its service area to include MUD 127.

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

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

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

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

SJRA has issued $544,155,000 principal amount of special project and water revenue bonds to finance the capital costs of the Project, and groundwater pumpage fees and water service fees will be used to cover costs of debt service on the bonds. Effective September 2017, the SJRA assessed pumpage fees of $2.64 per 1,000 gallons. MUD 115, MUD 127 and the District pay the pumpage fees based upon the amount of water pumped from the District's wells each month. MUD 115, MUD 127 and the District pass these pumpage fees and Conservation District fees on to customers in the districts. The SJRA pumpage fees will increase as the costs of the Project are incurred, but the District is unable to predict the magnitude of such increases.

The District, MUD 115 and MUD 127 had not initially been scheduled to receive water from the first phase of the Project in 2016. However, the District, MUD 115 and MUD 127 requested that the SJRA provide surface water to the District, MUD 115 and MUD 127 in 2016 under the terms of the SJRA's early conversion policy. Pursuant to the terms of such policy, the SJRA would pay for the engineering and half of the line construction costs, while MUD 115 and the District, through advances from developers to be reimbursed by such districts, would pay the other half of the construction costs. The request was approved, and the SJRA entered into a Supplemental Agreement (Non-Mandatory Conversion to Surface Water) with the District, MUD 115 and the respective developers. Pursuant to the terms of this agreement, the SJRA is obligated to provide up to 590,000 gallons per day of treated surface water to the District's Water Plant No. 1. The District will be required to take at least 253,000 gallons per day in this initial phase. MUD 115 financed the water delivery facilities, and construction of the surface water improvements is complete. The District and MUD 127 will purchase capacity from MUD 115 as necessary to support their respective developments. Effective September 1, 2017, the SJRA assessed surface water fees of $2.83 per 1,000 gallons of surface water delivered.

Stormwater Discharge Permit

On August 13, 2007, the Commission issued a general permit for stormwater discharges associated with small municipal separate storm sewer systems in certain urbanized areas of the State of Texas. Initially the District was not included in any urbanized area, but in 2012 maps were updated after receipt of census data, and The Woodlands Urbanized Area was expanded to incorporate the area of the District. The first Commission permit expired on August 12, 2012 and the renewed permit was adopted on December 11, 2013.

The District joined Montgomery County Drainage District No. 6, Montgomery County Drainage District No. 10, four other municipal utility districts, and the City of Oak Ridge North, all located in The Woodlands Urbanized Area, in a series of Inter-Local Cooperation Agreements that formed and provided for operation of the South Montgomery County Storm Water Coalition (the "Coalition") for the purpose of combining and sharing resources to file applications for municipal separate storm sewer system ("MS4") permits as required by the Commission general permit.

The other Coalition participants each obtained MS4 permits under the 2007 permit and adopted storm water management plans to achieve six minimum control measures that were called for in the 2007 MS4 permits. Because the District was not initially in The Woodlands Urbanized Area, it did not participate in the permitting effort in 2007. The District and other Coalition participants applied for coverage under the renewed 2013 general MS4 permit. The District and other Coalition participants are acting together to perform tasks to carry out certain best management practices and take actions to accomplish the minimum control measures and file annual reports with the Commission as required by the permits. Accordingly, the District is in compliance with the Commission general permit and the District's MS4 permit.

Use and Distribution of Bond Proceeds

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, $2,926,490 is for construction costs, and $1,098,510 is for nonconstruction costs.

CONSTRUCTION COSTS		
Meadows at Imperial Oaks, Section One	$	108,007
Meadows at Imperial Oaks, Section Two		635,879
Meadows at Imperial Oaks, Section Three		614,131
Kendal Ridge Lane		553,845
Water Plant Capacity Purchase		163,892
Wastewater Treatment Plant Capacity Purchase		505,484
Engineering		345,252
Total Construction Costs	**$**	**2,926,490**
NON-CONSTRUCTION COSTS		
Legal Fees	$	85,500
Financial Advisory Fees		75,375
Developer Interest		606,492
Capitalized Interest (6 months) (a)		78,281
Bond Discount		120,750
Bond Issuance Expenses		50,680
Bond Application Report		45,000
TCEQ Fee (0.25%)		10,063
Attorney General Fee		4,025
Contingency (a)		22,344
Total Non-Construction Costs	**$**	**1,098,510**
TOTAL BOND ISSUE	**$**	**4,025,000**

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

Future Debt

With the consent of the District, the Developer of land in the District has financed the design and construction of internal water, sanitary sewer and drainage facilities in The Meadows at Imperial Oaks, Sections 4 through 7 and 9, as well as other improvements for which it has not yet been reimbursed. The Developer has expended approximately $3,100,000 for District water, sanitary sewer and drainage facilities, which costs are expected to be reimbursed to the Developer from proceeds from future issues of District bonds. See "THE BONDS—Issuance of Additional Debt." In addition, the District presently contains approximately 152 acres of developable land not presently served with water distribution, wastewater collection and storm drainage facilities. It is anticipated that additional bonds will be issued to finance the construction of these facilities to serve the undeveloped acreage within the District. The District can make no representation that any additional development will occur within the District. According to the District Engineer, the District has adequate voted bonds to complete the current and planned land use projects.

BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Amount Unissued
9/10/2005	Water, Sewer and Drainage Facilities and Refunding	$80,000,000	$13,395,000*	$66,605,000

* Includes the Bonds.

FINANCIAL STATEMENT

2018 Taxable Assessed Valuation	$114,953,869	(a)
Estimated Taxable Assessed Valuation as of July 1, 2018	$129,735,022	(b)
Direct Debt:		
Outstanding Bonds (as of September 2, 2018)	$8,210,000	(c)
Plus: The Bonds	4,025,000	(d)
Gross Debt Outstanding	$12,235,000	
Ratios of Gross Debt to:		
2018 Taxable Assessed Valuation	10.64%	
Estimated Taxable Assessed Valuation as of July 1, 2018	9.43%	

Area of District – 429 Acres
Estimated 2018 Population – 1,554 (e)

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(a) The 2018 Taxable Assessed Valuation shown herein includes $111,072,729 of certified value and $3,881,140 of uncertified value. The certified value represents Montgomery Central Appraisal District (the "Appraisal District") opinion of the value; however, such value is subject to review and downward adjustment prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAX PROCEDURES."
(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on July 1, 2018. Increases in value that occur between January 1, 2018 and July 1, 2018 will be assessed for purposes of taxation on January 1, 2019.
(c) See "FINANCIAL STATEMENT—Outstanding Bonds."
(d) See "ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT."
(e) Based upon 3.5 persons per occupied home.

Cash and Investment Balances (unaudited as of August 28, 2018, 2018)

Capital Projects Fund	Cash and Temporary Investments	$154,337
Operating Fund	Cash and Temporary Investments	$745,931
Debt Service Fund	Cash and Temporary Investments	$580,834 (a)

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(a) Fund balance reflects the September 1, 2018 debt service payment in the amount of $442,736. An amount equal to $100,625 (or six months of interest on the Bonds, whichever is less) will be capitalized from proceeds of the issue and deposited to the Debt Service Fund. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

Outstanding Bonds (as of September 2, 2018)

Series	Original Principal Amount	Outstanding Bonds (as of 9/2/18)
2009	$ 3,200,000	$ 110,000
2011	1,425,000	145,000
2015	1,520,000	1,520,000
2016	2,910,000	2,750,000
2017(a)	3,735,000	3,685,000
Total	$ 12,790,000	$ 8,210,000

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(a) Unlimited tax refunding bonds.

District Investment Policy

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

ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT

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

Taxing Jurisdiction	Outstanding Bonds	As of	Percent	Overlapping Amount
Montgomery County	$457,975,000	06/30/18	0.19%	$ 870,153
Conroe Independent School District	1,261,400,000	06/30/18	0.28%	3,531,920
Lone Star College System	638,425,000	06/30/18	0.05%	319,213
Montgomery County Drainage District No. 10	10,460,000	06/30/18	29.07%	3,040,722
Total Estimated Overlapping Debt				$ 7,762,007
The District's Total Direct Debt (a)				12,235,000
Total Direct and Estimated Overlapping Debt				$19,997,007

Direct and Estimated Overlapping Debt as a Percentage of:
- 2018 Taxable Assessed Valuation of $114,953,869 .... 17.40%
- Estimated Taxable Assessed Valuation as of July 1, 2018 of $129,735,022 .... 15.41%

(a) The Bonds and the Outstanding Bonds.

Overlapping Tax Rates for 2017

	2017 Tax Rate per $100 of Taxable Assessed Valuation
Montgomery County	$ 0.46670
Montgomery County Hospital District	0.06640
Montgomery County Emergency Services District No. 8	0.10000
Montgomery County Drainage District No. 10	0.44000
Conroe Independent School District	1.28000
Lone Star College System	0.10780
Total Overlapping Tax Rate	$ 2.46090
The District	1.04000
Total Tax Rate	$ 3.50090

TAX DATA

Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of July 31, 2018 (a) Amount	Percent
2013	$ 45,687,183	$ 1.04	$ 475,147	$ 475,147	100.00%
2014	50,963,349	1.04	530,019	530,019	100.00%
2015	61,615,583	1.04	640,812	638,756	99.68%
2016	80,462,290	1.04	836,808	831,790	99.40%
2017	95,429,666	1.04	992,468	985,419	99.29%

(a) Unaudited.

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

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	$ 0.74	$ 0.71	$ 0.71	$ 0.71	$ 0.71
Maintenance and Operations	0.30	0.33	0.33	0.33	0.33
Total	$ 1.04	$ 1.04	$ 1.04	$ 1.04	$ 1.04

Tax Rate Limitations

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

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2017 at the rate of $0.71 per $100 assessed valuation. See "Tax Rate Distribution" above.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by the District's voters. At an election held September 10, 2005, the Board was authorized to levy such a maintenance tax in an unlimited rate in accordance with the constitution and laws of the state of Texas. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2017 at the rate of $0.33 per $100 taxable assessed valuation. See "Tax Rate Distribution" above.

Tax Exemptions

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

Additional Penalties

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

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the certified portion of the 2018 tax roll which reflects ownership at January 1, 2018. Principal taxpayer lists related to the uncertified portion ($3,881,140) of the 2018 Taxable Assessed Valuation of $114,953,869, which is subject to review and downward adjustment prior to certification, and the Estimated Taxable Assessed Valuation as of July 1, 2018 are not available from the Appraisal District.

Taxpayer	Type of Property	2018 Certified Taxable Assessed Valuation	% of 2018 Certified Taxable Assessed Valuation
MHI Partnership LTD (a)	Lots and Homes	$ 2,381,940	2.14%
2014 Imperial Oaks Devlopment Inc. (a)	Acreage and Lots	1,961,440	1.77%
Ashton Houston Residential LLC	Lots and Homes	939,070	0.85%
2005 Imperial Oaks LTD (a)	Acreage and Lots	657,520	0.59%
Individual	Residence	596,900	0.54%
Individual	Residence	588,430	0.53%
Individual	Residence	554,490	0.50%
Individual	Residence	540,100	0.49%
Individual	Residence	429,420	0.39%
Individual	Residence	533,080	0.48%
Total		$ 9,182,390	8.27%

(a) See "THE DEVELOPER."

Summary of Assessed Valuation

The following summary of the 2018, 2017 and 2016 Assessed Valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2018, 2017 and 2016 tax rolls of the District. Breakdowns of the uncertified portion ($3,881,140) of the 2018 Taxable Assessed Valuation of $114,953,869 and the Estimated Taxable Assessed Valuation as of July 1, 2018 are not available from the Appraisal District. Information in this summary may differ slightly from the assessed valuations shown herein due to differences in dates of data.

	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation	2016 Taxable Assessed Valuation
Land	$ 15,478,280	$ 15,083,950	$ 13,669,240
Improvements	98,593,690	82,172,930	68,199,000
Personal Property	1,268,520	1,139,574	831,899
Exemptions	(4,267,761)	(2,966,788)	(2,237,849)
Uncertified	3,881,140	-	-
Total	$ 114,953,869	$ 95,429,666	$ 80,462,290

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2018 Taxable Assessed Valuation of $114,953,869, which is subject to review and downward adjustment prior to certification and the Estimated Taxable Assessed Valuation as of July 1, 2018 of $129,735,022 and a debt service tax rate necessary to pay the District’s average annual debt service requirements on the District’s Outstanding Bonds and the Bonds. See “INVESTMENT CONSIDERATIONS—Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2019-2043)..$736,593

$0.68 Tax Rate on the 2018 Taxable Assessed Valuation..$742,602
$0.60 Tax Rate on the Estimated Taxable Assessed Valuation as of July 1, 2018......................$739,490

Maximum Annual Debt Service Requirement (2021)...$828,400

$0.76 Tax Rate on the 2018 Taxable Assessed Valuation..$829,967
$0.68 Tax Rate on the Estimated Taxable Assessed Valuation as of July 1, 2018......................$838,088

No representations or suggestions are made that the uncertified portion ($3,881,140) of the 2018 Taxable Assessed Valuation of $114,953,869 or the Estimated Taxable Assessed Valuation as of July 1, 2018 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAX PROCEDURES.”

TAX PROCEDURES

Authority to Levy Taxes

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

Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District has adopted a residential homestead exemption in the amount of $10,000 for persons age 65 and older and disabled persons. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran. Subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. See "TAX DATA."

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

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than $5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never granted such a general homestead exemption and has no plans to do so. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in- transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

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

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

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

District and Taxpayer Remedies

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent over the prior year's tax bill. If a rollback election is called and passes, the rollback tax rate is the District's current year's debt service tax rate plus the operations and maintenance tax rate that would impose 1.08 times the amount of operations and maintenance tax imposed by the District in the preceding year on the average residence homestead, disregarding exemptions. The District's debt service tax rate, if any, cannot be changed by a rollback election.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, among other collection methods available, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS."

The Effect of FIRREA on Tax Collections of the District

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

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

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

WATER AND SEWER OPERATIONS

General

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

Waterworks and Sewer System Operating Statement

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

	Fiscal Year Ended May 31				
	2018	2017	2016	2015	2014
Revenues					
Property Taxes	$ 316,592	$ 260,512	$ 202,979	$ 168,551	$ 131,724
Water Service	121,576	103,933	87,956	74,310	72,432
Wastewater Service	188,072	160,186	135,761	113,029	109,871
Conservation District/ Water Authority Fees	152,325	128,156	111,412	57,287	47,560
Penalty and Interest	6,039	5,768	4,725	4,732	4,534
Tap Connection and Inspection Fees	72,885	56,800	28,440	72,700	2,070
Sale of Capacity	211,837	106,934	146,894	111,166	-
Investment Income	1,468	929	452	286	202
Other	13,452	9,534	10,050	3,985	4,192
Total Revenues	$ 1,084,246	$ 832,752	$ 728,669	$ 606,046	$ 372,585
Expenditures					
Professional Fees	$ 110,388	$ 86,026	$ 92,441	$ 107,469	$ 97,671
Contracted Services	174,458	149,011	120,640	60,630	97,143
Purchased Water Services	85,352	92,530	93,797	83,130	61,044
Purchased Wastewater Services	58,551	55,002	52,852	29,167	33,569
Utilities	144	122	40	631	250
Repairs and Maintenance	89,015	94,294	48,623	40,615	32,597
Other	117,858	92,023	75,020	104,427	54,505
Capital Outlay	340,051 (a)	-	16,125	19,600	-
Capital Lease Principal	-	-	-	-	176,099 (b)
Total Expenditures	$ 975,817	$ 569,008	$ 499,538	$ 445,669	$ 552,878
Net Revenues	$ 108,429	$ 263,744	$ 229,131	$ 160,377	$ (180,293)
Other Sources (Uses)					
Contribution by Other Governmental Unit	$ -		$ -	$ -	$ 176,099 (b)
Transfers Out	$ -		$ -	$ -	$ (170,595)
Fund Balance (Beginning of Year)	$ 916,985	$ 653,241	$ 424,110	$ 263,733	$ 438,522
Fund Balance (End of Year)	$ 1,025,414	$ 916,985	$ 653,241	$ 424,110	$ 263,733

(a) Reflects a net payment to MUD 115 for purchase of water capacity and sale of wastewater capacity in the amount of $128,214. The remainder consists of construction costs related to Water Plant No. 2 and Water Well No. 2.

(b) Reflects the District's purchase of the wastewater treatment plant in the amount of $176,099. MUD 115 was the beneficiary of the capacity and paid $176,099 to the District.

DEBT SERVICE REQUIREMENTS

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

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds Principal	Interest	Total	Total Debt Service Requirements
2019	$ 594,863	$ 75,000	$ 143,516	$ 218,516	$ 813,378
2020	593,813	80,000	152,438	232,438	826,250
2021	595,363	85,000	148,038	233,038	828,400
2022	591,713	90,000	143,363	233,363	825,075
2023	584,213	95,000	138,413	233,413	817,625
2024	581,513	100,000	133,188	233,188	814,700
2025	578,563	105,000	128,188	233,188	811,750
2026	574,750	110,000	125,038	235,038	809,788
2027	575,100	115,000	121,738	236,738	811,838
2028	566,200	120,000	118,288	238,288	804,488
2029	562,100	125,000	114,688	239,688	801,788
2030	562,350	130,000	110,938	240,938	803,288
2031	557,000	135,000	106,713	241,713	798,713
2032	553,625	140,000	102,156	242,156	795,781
2033	549,550	145,000	97,256	242,256	791,806
2034	528,725	150,000	92,181	242,181	770,906
2035	507,600	155,000	86,744	241,744	749,344
2036	506,650	160,000	81,125	241,125	747,775
2037	489,500	165,000	75,125	240,125	729,625
2038	472,200	170,000	68,938	238,938	711,138
2039	454,900	175,000	62,563	237,563	692,463
2040	162,600	350,000	56,000	406,000	568,600
2041	156,300	350,000	42,000	392,000	548,300
2042	-	350,000	28,000	378,000	378,000
2043	-	350,000	14,000	364,000	364,000
Total	$ 11,899,188	$ 4,025,000	$ 2,490,628	$ 6,515,628	$ 18,414,816

Maximum Annual Debt Service Requirement (2021).. $828,400
Average Annual Debt Service Requirement (2019-2043).. $736,593

INVESTMENT CONSIDERATIONS

General

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

Recent Extreme Weather Events; Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days.

According to Municipal Operations & Consulting, Inc. (the "Operator"), the District's water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. With the exception of an unverified report of one home flooding, the District is not aware of any homes within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

Riverine (or Fluvial) Flood. Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Economic Factors and Interest Rates

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

Credit Markets and Liquidity in the Financial Markets

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

Competition

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

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

Landowner Obligation to the District

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

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2018 Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT") is $67,559,375. After issuance of the Bonds, the maximum annual debt service requirement will be $828,400 (2021) and the average annual debt service requirement will be $736,593 (2019-2043). Assuming no increase or decrease from the 2018 Taxable Assessed Valuation, a tax rate of $0.76 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of $0.68 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See "DEBT SERVICE REQUIREMENTS." The Estimated Taxable Assessed Valuation as of July 1, 2018 within the District is $129,735,022. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of July 1, 2018 and a 95% collection rate, tax rates of $0.68 and $0.60 per $100 assessed valuation would be necessary to pay the maximum annual requirement and the average annual requirement, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2018 Taxable Assessed Valuation and the Estimated Assessed Valuation of July 1, 2018, the District can make no representations regarding the future level of taxable assessed valuation within the District. Increases in the tax rate may be required in the event the District's taxable assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District.

Overlapping Taxes

The land within the District is also located within and is provided outfall storm drainage by Montgomery County Drainage District No. 10 ("DD No. 10"). The debt service on bonds issued by DD No. 10 is paid from ad valorem taxes levied by DD No. 10, which taxes are in addition to the taxes levied by the District. To compare the relative tax burden on property within the District as contrasted with property located in other real estate developments, the tax rates of the District, DD No. 10 and other taxing jurisdictions must be combined. The 2017 tax rate of DD No. 10 is $0.44 per $100 of taxable assessed valuation. Such combined rates are higher than tax rates presently being levied in utility districts in the general vicinity of the District. The District can make no representation that taxable property values in the District and DD No. 10 will maintain value sufficient to support the continued payment of taxes by property owners. See "FINANCIAL STATEMENT" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

The District reserves in the Bond Order the right to issue the remaining $66,605,000 principal amount of authorized but unissued unlimited tax bonds for purposes of acquiring and constructing the District's water, sanitary sewer and drainage facilities and for refunding outstanding bonds of the District. The District may issue additional bonds approved by District voters in future elections. The Developer has expended approximately $3,100,000 for District water, sanitary sewer and drainage facilities, which costs are expected to be reimbursed to the Developer from proceeds from future issues of District bonds. See "THE BONDS—Issuance of Additional Debt" and "THE SYSTEM." The issuance of such obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities and recreational facilities must be approved by the Commission.

Tax Collections Limitations

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

Registered Owners’ Remedies and Bankruptcy Limitations

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

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

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners’ claims against a district.

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Order on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

Marketability

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

Environmental Regulation and Air Quality

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

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

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

Air Quality/Greenhouse Gas Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2008 as a severe ozone nonattainment area under the 1997 "eight-hour" ozone standards ("the 1997 Ozone Standards"). In December 2015, the EPA determined that the HGB area has reached attainment under the 1997 Ozone Standards. On August 18, 2015, the TCEQ submitted a redesignation substitute report, which fulfilled the EPA's substitute requirements to lift anti-backsliding requirements for the 1997 Ozone Standards, which was revoked effective April 6, 2015. The EPA published final approval of the redesignation substitute report on November 6, 2016 with an effective date of December 8, 2016.

In 2008, the EPA lowered the ozone standard from 80 parts per billion ("ppb") to 75 ppb ("the 2008 Ozone Standard"), and designated the HGB area as a marginal ozone nonattainment area, effective July 20, 2012. Such nonattainment areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA's 2008 Ozone Standard is met. The HGB area did not reach attainment under the 2008 Ozone Standard by the 2016 deadline, and on December 14, 2016, the EPA published a final determination of non-attainment and redesignation of the HGB area from marginal to moderate. HGB area's 2008 Ozone Standard attainment deadline must be met as expeditiously as practicable, but in any event no later than July 20, 2018. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA's 2008 Ozone Standard, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

On October 1, 2015, the EPA lowered the ozone standard from 75 ppb to 70 ppb ("the 2015 Ozone Standard"). a six-county area, including Brazoria, Chambers, Fort Bend, Galveston, Harris and Montgomery counties was designated non-attainment and classified marginal under the 2015 Ozone Standard, effective August 3, 2018. This will impose additional ozone-reduction obligations on the HGB area and could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration.

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

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 8, 2018. The TPDES Construction General Permit became effective on March 5, 2018, and is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load ("TMDL") of certain pollutants into the water bodies. The TMDLs that municipal utility districts may discharge may have an impact on the municipal utility district's ability to obtain and maintain TPDES permits.

On May 27, 2015, the EPA and the United States Army Corps of Engineers ("USACE") jointly issued a final version of the Clean Water Rule ("CWR"), which expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the United States Court of Appeals for the Sixth Circuit put the CWR on hold nationwide. On January 22, 2018, the United States Supreme Court held that challenges to the CWR must proceed in federal district court as they do not fall within one of the CWA's enumerated categories of EPA actions for which the federal courts of appeal have jurisdiction. On February 6, 2018, the states of Texas, Louisiana, and Mississippi filed a lawsuit in federal district court seeking an injunction enjoining the implementation and enforcement of the CWR.

On June 27, 2017, the EPA and the USACE released a proposed rule rescinding the CWR, reinstating language in place before 2015 changes, and proposing the development of a revised definition of "waters of the United States." This proposed rule was published in the Federal Register on July 27, 2017, the comment period ended on September 28, 2017, and comments are currently under review by the agencies. The EPA plans to issue a proposed new regulation in the spring 2018 and finalize the revised rule by the end of 2018. On January 31, 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR by two years from the date the rule is published in the Federal Register, until 2020. In response, a coalition of states filed a lawsuit in the U.S. District Court for the Southern District of New York alleging the EPA violated the Administrative Procedure Act by enacting this rule without the customary 30-day comment period. If the CWR is not rescinded, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the "waters of the United States."

Operations of Utility Districts are also potentially subject to stormwater discharge permitting requirements under the Clean Water Act and EPA and TCEQ regulations. The TCEQ issued a general permit for stormwater discharges associated with industrial activities (which was amended and reissued on July 22, 2011, effective August 14, 2011) and a general permit for stormwater discharges associated with small municipal separate storm sewer systems (which was issued on August 13, 2007 and was amended and reissued on December 11, 2013). Utility Districts in certain urbanized areas are also required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code. See "THE SYSTEM—Stormwater Discharge Permit."

Operations of Utility Districts, including the District, are also potentially subject to requirements and restrictions under the Clean Water Act regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the insurer and no assurance or representation regarding the financial strength or projected financial strength of the 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 insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the insurer and the Policy, which includes further instructions for obtaining current financial information concerning the insurer.

LEGAL MATTERS

Legal Opinion

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

Legal Review

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Discount Bonds

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

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

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

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

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

Federal Income Tax Accounting Treatment of Premium Bonds

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

Future and Proposed Legislation

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service, Inc. (Moody's) will assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, 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 Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "Baa3" to the Bonds An explanation of the ratings may be obtained from the company furnishing each rating.

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

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

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

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

Capitalization of AGM

At June 30, 2018:

- The policyholders' surplus of AGM was approximately $2,221 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,166 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,898 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018).

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

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

Miscellaneous Matters

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of $3,904,250.00, representing 97.00% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 3.999686% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

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

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

Consultants

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

Auditor: The District's audited financial statements for the year ended May 31, 2018, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant. See "APPENDIX A" for a copy of the District's May 31, 2018, audited financial statements.

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

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

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

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT," "THE SYSTEM," "TAX DATA," "WATER AND SEWER OPERATIONS" and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audit report and supplemental schedules) and in APPENDIX A. The District will update and provide this information to the MSRB within six (6) months after the end of each fiscal year ending in or after 2019.

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

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

Specified Event Notices

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

Availability of Information from the MSRB

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

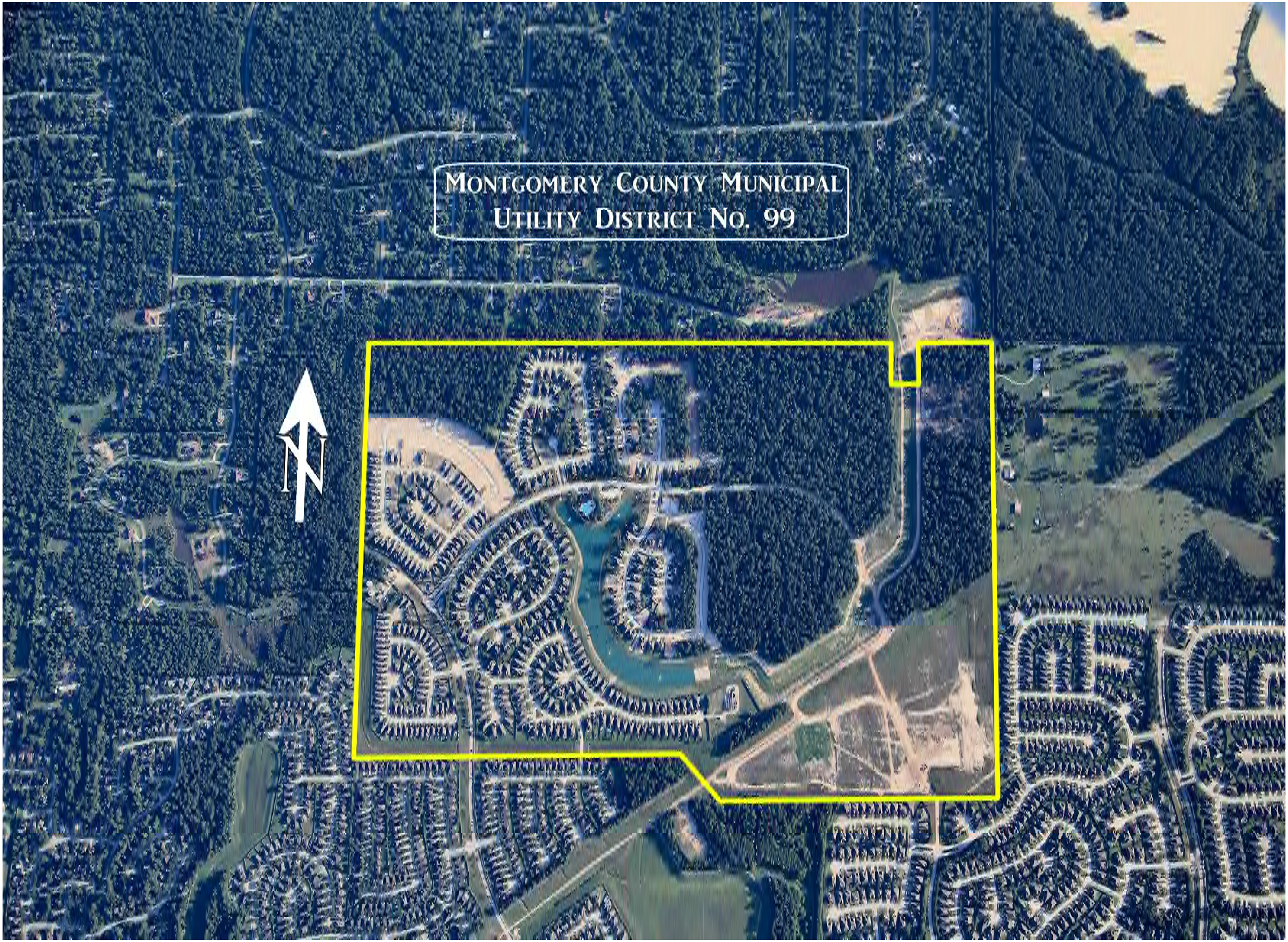
This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 99, as of the date shown on the cover page.

/s/ Michael Winner
President, Board of Directors

ATTEST:

/s/ Debra Revels-Stoots
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of June 2018)


Montgomery County Municipal
Utility District No. 99
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PHOTOGRAPHS OF THE DISTRICT
(As of June 2018)


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SOLD


Meadows at Imperial Oaks


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APPENDIX A

District Audited Financial Statements for the fiscal year ended May 31, 2018

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2018

TABLE OF CONTENTS

McCALL GIBSON SWEDLUND BARFOOT PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal
Utility District No. 99
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. 99 (the "District"), as of and for the year ended May 31, 2018, 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. 99

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2018, 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 Funds be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

August 28, 2018

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018

Management's discussion and analysis of Montgomery County Municipal Utility District No. 99's (the "District") financial performance provides an overview of the District's financial activities for the year ended May 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide 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 Statement of Net Position 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 Statement of Activities reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Special Revenue Funds account for financial resources collected and administered by the District for the operations of a joint water plant and a 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 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.

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $3,831,396 as of May 31, 2018.

A portion of the District's net position reflects its net investment in capital assets (land and land improvements, construction in progress, and 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

	2018	2017	Change Positive (Negative)
Current and Other Assets	$ 2,968,839	$ 2,727,792	$ 241,047
Capital Assets (Net of Accumulated Depreciation)	13,979,072	10,955,691	3,023,381
Total Assets	$ 16,947,911	$ 13,683,483	$ 3,264,428
Deferred Outflows of Resources	$ 342,085	$ -0-	$ (342,085)
Due to Developer	$ 4,175,470	$ 2,564,477	$ (1,610,993)
Long -Term Liabilities	8,256,134	8,095,249	(160,885)
Other Liabilities	1,026,996	916,198	(110,798)
Total Liabilities	$ 13,458,600	$ 11,575,924	$ (1,882,676)
Net Position:			
Net Investment in Capital Assets	$ 1,775,306	$ 321,975	$ 1,453,331
Restricted	995,640	862,444	133,196
Unrestricted	1,060,450	923,140	137,310
Total Net Position	$ 3,831,396	$ 2,107,559	$ 1,723,837

The following table provides a summary of the District's operations for the year ended May 31, 2018, and the year ended May 31, 2017. The District's net position increased by $1,723,837 during the year ended May 31, 2018.

Summary of Changes in the Statement of Activities

	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	$ 992,804	$ 836,536	$ 156,268
Charges for Services	1,708,762	1,534,218	174,544
Contributed by Other Governmental Unit	1,450,113	1,651,586	(201,473)
Other Revenues	229,610	118,997	110,613
Total Revenues	$ 4,381,289	$ 4,141,337	$ 239,952
Expenses for Services	2,657,452	2,639,923	(17,529)
Change in Net Position	$ 1,723,837	$ 1,501,414	$ 222,423
Net Position, Beginning of Year	2,107,559	606,145	1,501,414
Net Position, End of Year	$ 3,831,396	$ 2,107,559	$ 1,723,837

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2018, were $2,262,889 an increase of $153,601 for the year then ended.

The General Fund fund balance increased by $108,429, primarily due to the sale of capacity in the waste disposal plant to Montgomery County Municipal Utility District No.115.

The Debt Service Fund fund balance increased by $90,429, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by $45,257, primarily due to funds used for future bond issuance.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the year ended May 31, 2018. Actual revenue was $298,246 more than budgeted revenue. Actual expenditures were more than budgeted expenditures by $219,671.

CAPITAL ASSETS

Capital assets as of May 31, 2018, total $13,979,072 (net of accumulated depreciation) and include land and land improvements, construction in progress, as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 160,611	$ 160,611	$
Construction in Progress	2,217,394	1,621,648	595,746
Capital Assets, Net of Accumulated Depreciation:			
Water System	3,948,861	2,679,941	1,268,920
Wastewater System	3,991,542	3,564,118	427,424
Drainage System	3,660,664	2,929,373	731,291
Total Net Capital Assets	$ 13,979,072	$ 10,955,691	$ 3,023,381

LONG-TERM DEBT ACTIVITY

As of May 31, 2018, the District had total bond debt payable of $8,505,000. The changes in the debt position of the District during the year ended May 31, 2018, are summarized as follows:

Bond Debt Payable, June 1, 2017	$ 8,390,000
Add: Bond Sale	3,735,000
Less: Bond Principal Paid and Refunded	3,620,000
Bond Debt Payable, May 31, 2018	$ 8,505,000

The District's Series 2009, Series 2011, Series 2015, Series 2016 and Series 2017 refunding bonds have an underlying rating of Baa3 from Moody's Investor Service. The Series 2017 refunding bonds carry an insured rating of AA from Standard & Poor's Financial Services LLC by virtue of bond insurance from Build America Mutual Assurance Company.

As of May 31, 2018, the District has also recorded an amount due to the Developer of $4,175,470. This amount relates to construction projects that the Developer has funded on behalf of the District as of May 31, 2018. The District anticipates reimbursing the Developer for these costs from future bond proceeds.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The adopted budget for fiscal year 2019 projects a General Fund fund balance increase of $163,892. General Fund revenues are budgeted to be $878,800, while expenditures are budgeted to be $714,908. The adopted budget for fiscal year 2019 for the Wastewater Treatment Plant Fund and Water Plant Fund projects revenue of $327,350 and $956,650, respectively, which is a decrease of $54,200 for the Wastewater Treatment Plant Fund and a $220,300 increase for the Water Plant Fund compared to fiscal year 2018 budget.

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. 99, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2018

		Special Revenue Funds	
	General Fund	Water Plant	Wastewater Treatment Plant
ASSETS			
Cash	$ 958,818	$ 16,719	$ 20,749
Receivables:			
Property Taxes	4,481		
Penalty and Interest on Delinquent Taxes			
Service Accounts	36,452		
Other		2,670	
Due from Other Funds	150,596	4,904	25,335
Prepaid Costs	6,549		
Due from Other Governmental Units	365,582	110,137	10,947
Advance for Water Plant Operations	7,500		
Advance for Regional Wastewater Treatment Plant Operations	16,480		
Capital Assets (Net of Accumulated Depreciation):			
Land and Land Improvements			
Construction in Progress			
Water, Wastewater and Drainage Systems			
TOTAL ASSETS	$ 1,546,458	$ 134,430	$ 57,031
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refundings	$ -0-	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,546,458	$ 134,430	$ 57,031

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
$ 1,062,001	$ 154,353	$ 2,212,640	$	$ 2,212,640
9,641		14,122		14,122
			3,144	3,144
		36,452		36,452
		2,670		2,670
290		181,125	(181,125)	
		6,549	30,555	37,104
	176,041	662,707		662,707
		7,500	(7,500)	
		16,480	(16,480)	
			160,611	160,611
			2,217,394	2,217,394
			11,601,067	11,601,067
$ 1,071,932	$ 330,394	$ 3,140,245	$ 13,807,666	$ 16,947,911
$ -0-	$ -0-	$ -0-	$ 342,085	$ 342,085
$ 1,071,932	$ 330,394	$ 3,140,245	$ 14,149,751	$ 17,289,996

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2018

		Special Revenue Funds	
	General Fund	Water Plant	Wastewater Treatment Plant
LIABILITIES			
Accounts Payable	$ 306,611	$ 116,930	$ 31,281
Accrued Interest Payable			
Due to Developer			
Retainage Payable	151,973		
Due to Other Funds	30,529		
Due to Taxpayers			
Security Deposits	27,450		
Advance for Water Plant Operations		17,500	
Advance for Regional Wastewater Treatment Plant Operations			25,750
Long-Term Liabilities:			
Due Within One Year			
Due After One Year			
TOTAL LIABILITIES	$ 516,563	$ 134,430	$ 57,031
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	$ 4,481	$ -0-	$ -0-
FUND BALANCES			
Nonspendable:			
Prepaid Costs	$ 6,549	$	$
For Water Plant Operations	7,500		
For Regional Wastewater Treatment Plant Operations	16,480		
Restricted for:			
Authorized Construction			
Debt Service			
Unassigned	994,885		
TOTAL FUND BALANCES	$ 1,025,414	$ - 0 -	$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,546,458	$ 134,430	$ 57,031
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
$	$	$ 454,822	$	$ 454,822
			73,868	73,868
			4,175,470	4,175,470
		151,973		151,973
955	149,641	181,125	(181,125)	
4,613		4,613		4,613
		27,450		27,450
		17,500	(7,500)	10,000
		25,750	(16,480)	9,270
			295,000	295,000
			8,256,134	8,256,134
$ 5,568	$ 149,641	$ 863,233	$ 12,595,367	$ 13,458,600
$ 9,642	$ -0-	$ 14,123	$ (14,123)	$ -0-
$	$	$ 6,549	$ (6,549)	$
		7,500	(7,500)	
		16,480	(16,480)	
	180,753	180,753	(180,753)	
1,056,722		1,056,722	(1,056,722)	
		994,885	(994,885)	
$ 1,056,722	$ 180,753	$ 2,262,889	$ (2,262,889)	$ - 0 -
$ 1,071,932	$ 330,394	$ 3,140,245		
			$ 1,775,306	$ 1,775,306
			995,640	995,640
			1,060,450	1,060,450
			$ 3,831,396	$ 3,831,396

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
MAY 31, 2018

Total Fund Balances - Governmental Funds		$ 2,262,889
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Prepaid bond insurance in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		30,555
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		13,979,072
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		342,085
Deferred inflows of resources related to property tax revenues and uncollected penalty and interest on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		17,267
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (4,175,470)	
Accrued Interest Payable	(73,868)	
Bonds Payable Within One Year	(295,000)	
Bonds Payable After One Year	(8,256,134)	(12,800,472)
Total Net Position - Governmental Activities		$ 3,831,396

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

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2018

		Special Revenue Funds	
	General Fund	Water Plant	Wastewater Treatment Plant
REVENUES			
Property Taxes	$ 316,592	$	$
Water Service	121,576	965,337	
Wastewater Service	188,072		340,995
Conservation District/Water Authority Fees	152,325		
Penalty and Interest	6,039		
Tap Connection and Inspection Fees	72,885		
Sale of Capacity	211,837		
Investment Revenues	1,468	47	59
Contributed by Other Governmental Unit			
Miscellaneous Revenues	13,452		
TOTAL REVENUES	$ 1,084,246	$ 965,384	$ 341,054
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	$ 110,388	$ 7,131	$ 7,095
Contracted Services	174,458	5,100	5,100
Purchased Water Service	85,352		
Purchased Wastewater Service	58,551		
Utilities	144	30,408	63,292
Regional Water Authority Assessment/Purchased Water		868,328	
Repairs and Maintenance	89,015	19,261	74,733
Depreciation			
Other	117,858	35,156	190,834
Capital Outlay	340,051		
Debt Service:			
Bond Principal			
Bond Interest			
Bond Issuance Costs			
Payment to Refunded Bond Escrow Agent			
TOTAL EXPENDITURES/EXPENSES	$ 975,817	$ 965,384	$ 341,054
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	$ 108,429	$ -0-	$ -0-
OTHER FINANCING SOURCES (USES)			
Refunding Bonds	$	$	$
Payment to Refunded Bond Escrow Agent			
Bond Premium			
TOTAL OTHER FINANCING SOURCES, NET	$ -0-	$ -0-	$ -0-
NET CHANGE IN FUND BALANCES	$ 108,429	$ -0-	$ -0-
CHANGE IN NET POSITION			
FUND BALANCES/NET POSITION - JUNE 1, 2017	916,985		
FUND BALANCES/NET POSITION - MAY 31, 2018	$ 1,025,414	$ -0-	$ -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
$ 681,487	$	$ 998,079	$ (5,275)	$ 992,804
		1,086,913	(85,352)	1,001,561
		529,067	(58,551)	470,516
		152,325		152,325
5,095		11,134	341	11,475
		72,885		72,885
		211,837		211,837
2,287	459	4,320		4,320
			1,450,113	1,450,113
1		13,453		13,453
$ 688,870	$ 459	$ 3,080,013	$ 1,301,276	$ 4,381,289
$ 3,099	$	$ 127,713		$ 127,713
26,342		211,000		211,000
		85,352	(85,352)	
		58,551	(58,551)	
		93,844		93,844
		868,328		868,328
		183,009		183,009
			377,776	377,776
2,507	216	346,571		346,571
		340,051	(340,051)	
200,000		200,000	(200,000)	
285,633		285,633	(25,439)	260,194
175,735	45,500	221,235	(32,218)	189,017
84,000		84,000	(84,000)	
$ 777,316	$ 45,716	$ 3,105,287	$ (447,835)	$ 2,657,452
$ (88,446)	$ (45,257)	$ (25,274)	$ 1,749,111	$ 1,723,837
$ 3,735,000	$	$ 3,735,000	$ (3,735,000)	$
(3,617,786)		(3,617,786)	3,617,786	
61,661		61,661	(61,661)	
$ 178,875	$ -0-	$ 178,875	$ (178,875)	$ -0-
$ 90,429	$ (45,257)	$ 153,601	$ (153,601)	$
			1,723,837	1,723,837
966,293	226,010	2,109,288	(1,729)	2,107,559
$ 1,056,722	$ 180,753	$ 2,262,889	$ 1,568,507	$ 3,831,396

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2018

Net Change in Fund Balances - Governmental Funds	$	153,601
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.		(5,275)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		341
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.		(377,776)
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.		340,051
Governmental funds report bond insurance costs as expenditures and bond premiums as other financing sources in the year paid. However, in the Statement of Net Position, the bond insurance costs and bond premiums are amortized over the life of the bonds.		(29,443)
Governmental funds report bond discounts, bond premiums and deferred charges on refundings as other financing sources/uses and bond insurance as expenditures in the year paid. However, in the Statement of Net Position, bond discounts, bond premiums, deferred charges on refundings and bond insurance are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		(20,588)
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.		200,000
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.		46,027
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(3,735,000)
Governmental funds do not report capital assets contributed by other governmental units. However, in the Statement of Activities, these are recorded as revenue.		1,450,113
Governmental funds report the payment to the refunded bond escrow agent as an other financing use and as an expenditure. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Positon.		3,701,786
Change in Net Position - Governmental Activities	$	1,723,837

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

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 99 (the "District") was created effective May 26, 2005, by an Order of the Texas Commission on Environmental Quality, (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on June 27, 2005, and the first bonds were sold on November 24, 2009.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District has entered into an agreement with Montgomery County Municipal Utility District No. 115 ("District No. 115") and Montgomery Municipal Utility District No. 127 ("District No. 127") for water service through a joint water plant. The District has oversight over the water plant. Additional disclosure concerning this agreement is provided in Note 8.

The District has entered into an agreement with District No. 115 for wastewater disposal through the regional wastewater treatment plant. The District has oversight responsibility over the plant. Additional disclosure concerning this agreement is provided in Note 9.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Financial Statement Presentation</u>

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

<u>Government-Wide Financial Statements</u>

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

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

Special Revenue Funds – To account for financial resources collected and administered by the District for the operation of a joint wastewater treatment plant and a joint water plant which are Special Revenue Funds of the District.

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 taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures. Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

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

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

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

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund and each Special Revenue Fund. The budgets were not amended during the year ended May 31, 2018.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Pensions</u>

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

<u>Measurement Focus</u>

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

Unassigned: all other spendable amounts in the General Fund.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 2009	Series 2011
Amounts Outstanding - May 31, 2018	$ 215,000	$ 185,000
Interest Rates	4.80% - 5.00%	4.40% - 4.90%
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2019	September 1, 2018/2021
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2018*	September 1, 2019*

* The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2015	Series 2016	Series 2017 Refunding
Amounts Outstanding - May 31, 2018	$ 1,520,000	$ 2,850,000	$ 3,735,000
Interest Rates	4.00%	2.60% - 4.20%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2033/2039	September 1, 2018/2041	September 1, 2018/2035
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023**	September 1, 2023**	September 1, 2024**

** The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2015 term bonds due September 1, 2035, 2037 and 2039, are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules. Series 2016 term bonds due September 1, 2028, 2030, 2033, 2036, and 2041, are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules. Series 2017 refunding term bonds due September 1, 2033 and 2035, are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules.

The following is a summary of transactions regarding long-term debt for the year ended May 31, 2018:

	June 1, 2017	Additions	Retirements	May 31, 2018
Bonds Payable	$ 8,390,000	$ 3,735,000	$ 3,620,000	$ 8,505,000
Unamortized Discounts	(94,751)		(82,407)	(12,344)
Unamortized Premiums		61,661	3,183	58,478
Total Long-Term Liabilities	$ 8,295,249	$ 3,796,661	$ 3,540,776	$ 8,551,134

Amount Due Within One Year	$ 295,000
Amount Due After One Year	8,256,134
Total Long-Term Liabilities	$ 8,551,134

NOTE 3. LONG-TERM DEBT (Continued)

On June 22, 2017, the District issued Unlimited Tax Refunding Bonds, Series 2017 of $3,735,000 with interest rates of 2.0% to 4.0% to advance refund $2,420,000 of its previously issued Series 2009 bonds and $1,000,000 of its previously issued Series 2011 bonds in order to lower its overall debt service requirements. The net proceeds of $3,708,256 (after payment of the premium, underwriting fees, insurance and other issuance costs) were used for the following: $3,701,786, including $84,000 in available Debt Service Fund monies, was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and $6,470 was deposited in the Debt Service Fund for future interest costs. As a result, $3,420,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. At May 31, 2018, $3,420,000 of the refunded bonds are considered defeased as principal balances will be retired subsequent to year end on September 1, 2018 for the Series 2009 bonds and September 1, 2019 for the Series 2011 bonds. The reacquisition price exceeded the net carrying amount of the old debt by $281,786; this amount is considered a deferred inflow of resources and amortized over the life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding resulted in an economic gain of $425,131 and an overall debt service savings of $588,067.

As of May 31, 2018, the District had authorized but unissued bonds in the amount of $70,630,000 for utility facilities.

As of May 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 295,000	$ 290,167	$ 585,167
2020	310,000	279,337	589,337
2021	320,000	269,587	589,587
2022	330,000	261,037	591,037
2023	335,000	252,962	587,962
2024-2028	1,730,000	1,140,132	2,870,132
2029-2033	1,940,000	825,451	2,765,451
2034-2038	2,095,000	445,851	2,540,851
2039-2042	1,150,000	72,400	1,222,400
	$ 8,505,000	$ 3,836,924	$ 12,341,924

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.

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended May 31, 2018, the District levied an ad valorem debt service tax rate of $0.71 per $100 of assessed valuation, which resulted in a tax levy of $677,621 on the adjusted taxable valuation of $95,439,666 for the 2017 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

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

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS (continued)

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

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

Bond Interest Reserve – June 1, 2017	$ 106,060
Less: Bond Interest Paid	106,060
Bond Interest Reserve – May 31, 2018	$ -

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 $2,212,640 and the bank balance was $2,235,874. Of the bank balance, $539,770 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third party depository.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2018, as listed below:

	Cash
GENERAL FUND	$ 958,818
SPECIAL REVENUE FUNDS	37,468
DEBT SERVICE FUND	1,062,001
CAPITAL PROJECTS FUND	154,353
TOTAL DEPOSITS	$ 2,212,640

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. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

As of May 31, 2018, the District had no investments.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash and investments of the Special Revenue Funds are restricted for water plant and 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 or rehabilitation of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2018:

	June 1, 2017	Increases	Decreases	May 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 160,611	$ - 0 -	$ - 0 -	$ 160,611
Construction in Progress	1,621,648	1,450,112	854,366	2,217,394
Total Capital Assets Not Being Depreciated	$ 1,782,259	$ 1,450,112	$ 854,366	$ 2,378,005
Capital Assets Subject to Depreciation				
Water System	$ 3,902,979	$ 1,424,572	$	$ 5,327,551
Wastewater System	4,597,059	563,318		5,160,377
Drainage System	3,424,842	817,521		4,242,363
Total Capital Assets Subject to Depreciation	$ 11,924,880	$ 2,805,411	$ - 0 -	$ 14,730,291
Accumulated Depreciation				
Water System	$ 1,223,038	$ 155,652	$	$ 1,378,690
Wastewater System	1,032,941	135,894		1,168,835
Drainage System	495,469	86,230		581,699
Total Accumulated Depreciation	$ 2,751,448	$ 377,776	$ - 0 -	$ 3,129,224
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 9,173,432	$ 2,427,635	$ - 0 -	$ 11,601,067
Total Capital Assets, Net of Accumulated Depreciation	$ 10,955,691	$ 3,877,747	$ 854,366	$ 13,979,072

NOTE 7. MAINTENANCE TAX

On September 10, 2005, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per $100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended May 31, 2018, the District levied an ad valorem maintenance tax rate of $0.33 per $100 of assessed valuation, which resulted in a tax levy of $314,951 on the adjusted taxable valuation of $95,439,666 for the 2017 tax year.

NOTE 8. WATER SUPPLY AGREEMENTS

The District entered into a water supply agreement, effective September 20, 2005, with Land Development Company, Ltd., the Developer within the District, and 525 Investors, Ltd. 525 Investors, Ltd. subsequently assigned their participation in the agreement to District No. 115. On November 1, 2008, the District and its Developer, now 2005 Imperial Oaks, Ltd., entered into the First Amended and Restated Water Supply Agreement (the "Water Supply Agreement") with District No. 115 and its Developer, now Imperial Oaks Development Corp. The Water Supply Agreement supersedes the previous agreement dated September 20, 2005. This Water Supply Agreement outlines how the parties will participate in the construction, operation and maintenance of the water plant facilities. The District will hold legal title to and shall operate the water plant facilities; however, each district will hold equitable title to reserved capacity in the water plant facilities. In accordance with the Water Supply Agreement, District No. 115 initially purchased 24% of the capacity in the water plant facilities for $623,761. The term of the Water Supply Agreement is 40 years.

Effective July 24, 2012, the District and District No. 115 approved the Second Amended and Restated Agreement. On December 17, 2013, the District and District No. 115 approved the Third Amended and Restated Water Supply Agreement. On May 7, 2015, the District, District No. 115 and District No. 127 approved the Fourth Amended and Restated Agreement whereby District No. 127 was added as a party to the agreement. The districts have agreed to pay for the operation and maintenance of the water plant facilities. Costs of the plant are to be categorized as fixed costs and variable costs. The districts are billed monthly for their fixed costs based upon their pro-rata share of the capacity in the water plant facilities. The districts are also billed monthly for their share of the variable costs. Each district's variable cost for the billing period will be calculated by multiplying the total variable costs incurred by a fraction whose numerator equals the total metered flow of water to each district during the billing period, and whose denominator is the total metered pumpage from the water plant during the billing period. In the event the total metered flow to all district's customers is less than the metered pumpage from the water plant in a billing period, the remaining amount will be pro-rated among the districts in proportion to each district's fixed expenses in the same billing period. In addition, District No. 115 and District No. 127 has agreed to pay the District an overhead fee equal to 10% of their respective variable costs. During the current fiscal year, District No. 115 sold additional capacity in the water plant to the District and District No. 127 for $340,051 and $354,508, respectively.

NOTE 8. WATER SUPPLY AGREEMENTS (Continued)

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

The District	21.00%
Montgomery County Municipal Utility District No. 115	68.00
Montgomery County Municipal Utility District No. 127	11.00
Total	100.00%

During the year ended May 31, 2018, the District's share of the Water Plant's expenditures was $85,352. The districts have also made an advance for operations of the water plant facilities. Total operating advances from all participants is $17,500. The District's share is $7,500 while District No. 115's share is $10,000.

On September 27, 2005, the District entered into an agreement with White Oak Water Supply Corporation ("White Oak"). In accordance with the White Oak agreement, the District was required to reserve capacity in the water plant facilities for White Oak in the amount of 68,000 gallons per day. On October 1, 2009, the White Oak agreement was amended to modify the schedule for construction of the interconnect facilities and the schedule for payments to the District by White Oak for well capacity and the interconnect facilities. During a prior fiscal year, the District received payments of $85,000 from White Oak to pay toward the costs of design and construction of 68,000 gallons per day capacity in the water plant facilities and one half the cost of the metering equipment at the interconnect.

On May 8, 2006, the District entered into a water supply and emergency interconnect agreement with Rayford Road Municipal Utility District ("Rayford Road"). In accordance with this agreement, Rayford Road purchased 84,000 gallons per day capacity in the water plant facilities for $306,594. During an emergency, the price to be paid for water by either district is $1.00 per 1,000 gallons. On October 12, 2009, the Rayford Road agreement was amended to show a purchase price of $317,500 and note that water delivered to the District from Rayford Road during construction at the water plant will be repaid in kind. The Second Amended and Restated Water Supply and Emergency Interconnect Agreement dated March 22, 2011, affirmed the terms of the prior agreements. On July 9, 2012, Rayford Road sold their capacity to the District and District No. 115 in the amount of $85,813 and $304,244, respectively. The Second Amended and Restated Water Supply and Emergency Interconnect Agreement was terminated. On July 24, 2012, the District entered into an Emergency Water Supply Agreement with Rayford Road. During an emergency, the price to be paid for water by either district is $1.00 per 1,000 gallons of water supplied plus pumpage fees charged by a regional water authority or groundwater conservation district. The term of the agreement is 40 years.

On November 1, 2008, District No. 115 entered into an emergency water supply contract with Rayford Road. During an emergency, the price to be paid for water by either district is $1.00 per 1,000 gallons. The term of the agreement is 40 years.

NOTE 8. WATER SUPPLY AGREEMENTS (Continued)

On June 5, 2014, District No. 115 entered into an emergency water supply contract with District No. 127. During an emergency, the price to be paid for water by either district is $1.00 per 1,000 gallons. The term of the agreement is 20 years.

On June 5, 2014, District No. 127 entered into an emergency water supply contract with Montgomery County Municipal Utility District No. 88. During an emergency, the price to be paid for water by either district is equal to the rate per 1,000 gallons of water furnished charged by the supplying party to residential customers using 10,000 gallons per month. If fees are imposed upon the supplying party by a regional water authority, groundwater conservation district, river authority, or other governmental entity or contractual arrangement (the "Entity"), the price is increased by the amount of the fee imposed by such Entity.

NOTE 9. WASTE DISPOSAL AGREEMENT

The District entered into a waste disposal agreement, effective September 20, 2005, with Land Development Company, Ltd., the Developer within the District, and 525 Investors, Ltd. 525 Investors, Ltd. subsequently assigned their participation in the agreement to District No. 115. On November 1, 2008, the District and its Developer, now 2005 Imperial Oaks, Ltd., entered into the First Amended and Restated Waste Disposal Agreement (the "Waste Disposal Agreement") with District No. 115 and its Developer, now Imperial Oaks Development Corp. The Waste Disposal Agreement supersedes the previous agreement dated September 20, 2005. On May 27, 2014, the District and its Developer, 2005 Imperial Oaks, Ltd., entered into the Second Amended and Restated Waste Disposal Agreement with District No. 115 and its Developer, Imperial Oaks Development Corp. This Waste Disposal Agreement supersedes the previous agreement dated November 1, 2008. The Waste Disposal Agreement outlines how the parties will participate in the construction, operation and maintenance of the waste disposal plant. The District will hold legal title to and shall operate the waste disposal plant; however, each district will hold equitable title to reserved capacity in the waste disposal plant. The term of the Waste Disposal Agreement is 40 years.

The districts have agreed to pay for the operation and maintenance of the waste disposal plant. Costs of the plant are to be categorized as fixed costs and variable costs. The districts are billed monthly for their fixed costs based upon their pro-rata share of the capacity in the waste disposal plant. The districts are also billed monthly for their share of the variable costs. Each district's variable cost for the billing period will be calculated by multiplying the total variable costs incurred by a fraction whose numerator equals the calculated waste flow entering the waste disposal plant attributable to each district during the billing period, and whose denominator is the total amount of calculated waste flow entering the waste disposal plant during the billing period. The calculated waste flow, defined per the Agreement, is calculated by adding the total metered water consumption through all connections within each district, not including water consumption

NOTE 9. WASTE DISPOSAL AGREEMENT (Continued)

through metered irrigation connections. In addition, District No. 115 has agreed to pay the District an overhead fee equal to 10% of its respective variable costs. During the current fiscal year, the District sold additional capacity in the waste disposal plant to District No. 115 for $211,837.

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

The District	26.00%
Montgomery County Municipal Utility District No. 115	74.00
Total	100.00%

During the year ended May 31, 2018, the District's share of the waste disposal expenditures was $58,551. The districts have also made an advance for operations of the waste disposal plant. Total operating advances from all participants is $25,750. The District's share is $16,480 while District No. 115's share is $9,270.

NOTE 10. OPERATING LEASE

On September 16, 2015, the District entered into a 24-month lease agreement to lease a 120,000 gallon per day prepackaged wastewater treatment plant commencing on the first day of the month following substantial completion of the installation and start-up of the lease equipment. In August 2017, the District chose to purchase the plant in accordance with the purchase option provisions outlined in the agreement. The purchase price was $405,552 paid by District No. 115 who recognized this as capital outlay. Rent expense recognized in the year ended May 31, 2018 related to this agreement was $26,550.

NOTE 11. UNREIMBURSED COSTS

The District has executed reimbursement agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater and drainage facilities until such time as the District can sell bonds.

As of May 31, 2018, the Developers within the District indicated that approximately $4,175,470 had been expended on behalf of the District in relation to the agreements for projects that have been completed. This liability has been recorded in the Statement of Net Position.

NOTE 12. RISK MANAGEMENT

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

NOTE 13. INTERFUND LIABILITIES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds". The composition of interfund balances as of May 31, 2018 was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service Fund	$ 955
General Fund	Capital Projects Fund	149,641
Debt Service Fund	General Fund	290
Special Revenue Fund - Water Plant	General Fund	4,904
Special Revenue Fund - Wastewater Treatment Plant	General Fund	25,335
Total		$ 181,125

The Debt Service Fund owed the General Fund for maintenance tax collections, the General Fund owed the Special Revenue Fund – Water Plant for the District's portion of the Water Plant activities, the General Fund owed the Special Revenue Fund-Wastewater Treatment Plant for the District's portion of Wastewater Plant activities and the Capital Projects Fund owed the General Fund and the General Fund owed the Debt Service Fund for bond issuance related costs.

NOTE 14. LONE STAR GROUNDWATER CONSERVATION DISTRICT

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

NOTE 14. LONE STAR GROUNDWATER CONSERVATION DISTRICT (Continued)

overseeing that its participants comply with subsidence district pumpage requirements. The District is required to convert its water supply to surface water over a period of time.

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

The Conservation District charges production fees based on the amount of water authorized by permit to be withdrawn from a well. This fee enables the Conservation District to fulfill its purpose and regulatory functions. As of May 31, 2018, the fee was $0.105 per 1,000 gallons of water pumped from each well. During the current fiscal year, the District's water plant recorded an expenditure of $26,018 pertaining to these fees.

NOTE 15. SAN JACINTO RIVER AUTHORITY

On June 22, 2010, the District entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the "Authority"). The District and the Authority operate within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"). See Note 14. The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. A surface water treatment and transmission system (the "Project") is proposed to be designed, constructed, operated, and maintained by the Authority in order to provide phased treatment, transmission, and delivery of the Authority's surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater. The Authority will develop a Groundwater Reduction Plan (the "GRP") for all participants. The Authority charges a fee, currently $2.64 per 1,000 gallons for groundwater used and $2.83 per 1,000 gallons for surface water used. This fee enables the Authority to achieve, maintain and implement the GRP. The terms of this contract expire on December 31, 2045. During the current fiscal year, the District's water plant recorded expenditures of $868,328 in relation to this contract.

NOTE 15. SAN JACINTO RIVER AUTHORITY (Continued)

On April 24, 2014, the District and District No. 115, along with each districts Developers, entered into the Supplemental Agreement (Non-Mandatory Conversion to Surface Water) with the Authority. This agreement outlines the design and construction of the facilities in two separate phases. In accordance with the provisions related to Phase I, District No. 115 advanced $294,000 to the District for the initial payment required to the Authority for the design of Phase I. In fiscal year 2016, District No. 115 advanced $1,327,541 to the District for the payment to the Authority for costs related to construction of the facilities. During fiscal year 2018, Phase I was completed and District No. 115 received a refund from the Authority of $262,607. The Authority is obligated to provide up to 590,000 gallons per day of treated surface water to the water plant shared with District No. 115 and the District will be required to take at least 253,000 gallons per day.

NOTE 16. SUBSEQUENT EVENT – PENDING BOND SALE

On May 4, 2018, the District filed a bond application with the Commission requesting approval to issue $4,025,000 in bonds. On July 20, 2018, subsequent to the District's fiscal year-end, a technical memorandum was issued by the Commission in relation to the bonds. On August 14, 2018, the Commission approved the order approving the issuance of the bonds in the amount of $4,025,000. The sale of the bonds is expected to occur during the last quarter of 2018.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2018

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 300,000	$ 316,592	$ 16,592
Water Service	120,000	121,576	1,576
Wastewater Service	155,000	188,072	33,072
Conservation District/Water Authority Fees	153,250	152,325	(925)
Penalty and Interest	6,000	6,039	39
Tap Connection and Inspection Fees	50,000	72,885	22,885
Sale of Capacity		211,837	211,837
Investment Revenues	750	1,468	718
Miscellaneous Revenues	1,000	13,452	12,452
TOTAL REVENUES	$ 786,000	$ 1,084,246	$ 298,246
EXPENDITURES			
Services Operations:			
Professional Fees	$ 87,000	$ 110,388	$ (23,388)
Contracted Services	125,500	174,458	(48,958)
Purchased Water Service	204,705	85,352	119,353
Purchased Wastewater Service	164,066	58,551	105,515
Utilities	125	144	(19)
Repairs and Maintenance	100,000	89,015	10,985
Other	74,750	117,858	(43,108)
Capital Outlay		340,051	(340,051)
TOTAL EXPENDITURES	$ 756,146	$ 975,817	$ (219,671)
NET CHANGE IN FUND BALANCE	$ 29,854	$ 108,429	$ 78,575
FUND BALANCE - JUNE 1, 2017	916,985	916,985	
FUND BALANCE - MAY 31, 2018	$ 946,839	$ 1,025,414	$ 78,575

The accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – SPECIAL REVENUE FUND – WATER PLANT FOR THE YEAR ENDED MAY 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Water Service	$ 736,350	$ 965,337	$ 228,987
Investment Revenues		47	47
TOTAL REVENUES	$ 736,350	$ 965,384	$ 229,034
EXPENDITURES			
Services Operations:			
Professional Fees	$ 15,200	$ 7,131	$ 8,069
Contracted Services	5,100	5,100	
Utilities	70,000	30,408	39,592
Regional Water Authority Assessment/ Purchased Water	565,000	868,328	(303,328)
Repairs and Maintenance	50,000	19,261	30,739
Other	31,050	35,156	(4,106)
TOTAL EXPENDITURES	$ 736,350	$ 965,384	$ (229,034)
NET CHANGE IN FUND BALANCE	$ -0-	$ -0-	$ -0-
FUND BALANCE - JUNE 1, 2017			
FUND BALANCE - MAY 31, 2018	$ -0-	$ -0-	$ -0-

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND – WASTEWATER TREATMENT PLANT FOR THE YEAR ENDED MAY 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Wastewater Service	$ 381,550	$ 340,995	$ (40,555)
Investment Revenues		59	59
TOTAL REVENUES	$ 381,550	$ 341,054	$ (40,496)
EXPENDITURES			
Services Operations:			
Professional Fees	$ 8,250	$ 7,095	$ 1,155
Contracted Services	5,100	5,100	
Utilities	53,000	63,292	(10,292)
Repairs and Maintenance	65,000	74,733	(9,733)
Other	250,200	190,834	59,366
TOTAL EXPENDITURES	$ 381,550	$ 341,054	$ 40,496
NET CHANGE IN FUND BALANCE	$ -0-	$ -0-	$ -0-
FUND BALANCE - JUNE 1, 2017			
FUND BALANCE - MAY 31, 2018	$ -0-	$ -0-	$ -0-

See accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2018

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2018

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	X	Security
X	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 effective April 1, 2018.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$20.00	6,000	N	$1.25	6,001 to 16,000
				$1.50	16,001 to 26,000
				$1.75	26,001 to 36,000
				$2.00	Over 36,001
WASTEWATER:	$35.25	6,000	N	$1.25	Over 6,001

SURCHARGE:

Water Conservation District Fees	$0.105 per 1,000 gallons, plus a 10% administration fee
San Jacinto River Authority Fee	$2.83 per 1,000 gallons, plus a 10% administration fee

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

Total monthly charges per 10,000 gallons usage: Water: $25.00 Wastewater: $40.25 Surcharge: $32.29 Total: $97.54

See accompanying independent auditor's report.

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"	481	478	x 1.0	478
1"	7	6	x 2.5	15
1½"			x 5.0	
2"	6	6	x 8.0	48
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	494	490		541
Total Wastewater Connections	480	478	x 1.0	478

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

		Water Accountability Ratio: * (Gallons billed and sold/Gallons pumped and purchased)
Gallons pumped in system:	*	
Gallons billed to customers:	48,340,000	
Gallons purchased:	183,170,000	From: San Jacinto River Authority

* The District receives its water supply from the joint water plant operated by the District, see Note 8. During the current fiscal year, the water system pumped 122,996,000 gallons of water into the system. District No. 115 billed its customers for 200,464,000 gallons of water usage. District No. 127 billed its customers for 43,987,000 gallons of water usage.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2018

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 or Counties 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 extra territorial jurisdiction (ETJ)?

Entirely __X__ Partly _______ Not at all _____

ETJ in which the District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No __X__

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2018

PROFESSIONAL FEES:		
Auditing	$	12,300
Engineering		67,552
Legal		30,536
TOTAL PROFESSIONAL FEES	$	110,388
PURCHASED SERVICES FOR RESALE:		
Purchased Water Service	$	85,352
Purchased Wastewater Service		58,551
TOTAL PURCHASED SERVICES FOR RESALE	$	143,903
CONTRACTED SERVICES:		
Bookkeeping	$	13,675
Operations and Billing		16,123
TOTAL CONTRACTED SERVICES	$	29,798
UTILITIES -		
Electricity	$	144
REPAIRS AND MAINTENANCE	$	89,015
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	7,800
Election Costs		5,202
Insurance		10,380
Office Supplies and Postage		29,454
Payroll Taxes		574
Travel and Meetings		670
Other		7,759
TOTAL ADMINISTRATIVE EXPENDITURES	$	61,839
CAPITAL OUTLAY -		
Capitalized Assets	$	340,051

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2018

TAP CONNECTIONS	$	33,809
SOLID WASTE DISPOSAL	$	69,168
SECURITY	$	75,492
OTHER EXPENDITURES:		
Chemicals	$	158
Laboratory Fees		6,931
Permit Fees		713
Reconnection Fees		2,000
Inspection Fees		11,120
Regulatory Assessment		1,288
TOTAL OTHER EXPENDITURES	$	22,210
TOTAL EXPENDITURES	$	975,817

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2018

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2017	$ 6,155		$ 13,243	
Adjustments to Beginning Balance	(33)	$ 6,122	(71)	$ 13,172
Original 2017 Tax Levy	$ 314,951		$ 677,621	
Adjustment to 2017 Tax Levy		314,951		677,621
TOTAL TO BE ACCOUNTED FOR		$ 321,073		$ 690,793
TAX COLLECTIONS:				
Prior Years	$ 3,878		$ 8,343	
Current Year	312,714	316,592	672,809	681,152
TAXES RECEIVABLE - MAY 31, 2018		$ 4,481		$ 9,641
TAXES RECEIVABLE BY YEAR:				
2017		$ 2,237		$ 4,812
2016		1,592		3,426
2015		652		1,403
TOTAL		$ 4,481		$ 9,641

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2018

	2017	2016	2015	2014
PROPERTY VALUATIONS:				
Land	$ 15,083,950	$ 13,669,240	$ 13,449,600	$ 8,240,930
Improvements	82,173,150	68,234,550	48,948,900	43,466,240
Personal Property	1,139,574	831,899	522,924	577,205
Exemptions	(2,957,008)	(2,263,399)	(1,268,766)	(1,321,026)
TOTAL PROPERTY VALUATIONS	$ 95,439,666	$ 80,472,290	$ 61,652,658	$ 50,963,349
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.71	$ 0.71	$ 0.71	$ 0.71
Maintenance	0.33	0.33	0.33	0.33
TOTAL TAX RATES PER $100 VALUATION	$ 1.04	$ 1.04	$ 1.04	$ 1.04
ADJUSTED TAX LEVY*	$ 992,572	$ 836,911	$ 641,188	$ 530,019
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.29 %	99.40 %	99.68 %	100.00 %

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

Maintenance Tax – Maximum tax rate in an unlimited amount per $100 of assessed valuation approved by voters on September 10, 2005.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

	SERIES - 2009		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 105,000	$ 7,905	$ 112,905
2020	110,000	2,640	112,640
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	$ 215,000	$ 10,545	$ 225,545

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

	SERIES - 2011		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 40,000	$ 7,850	$ 47,850
2020	45,000	5,935	50,935
2021	50,000	3,675	53,675
2022	50,000	1,225	51,225
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	$ 185,000	$ 18,685	$ 203,685

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

	SERIES - 2015		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$	$ 60,800	$ 60,800
2020		60,800	60,800
2021		60,800	60,800
2022		60,800	60,800
2023		60,800	60,800
2024		60,800	60,800
2025		60,800	60,800
2026		60,800	60,800
2027		60,800	60,800
2028		60,800	60,800
2029		60,800	60,800
2030		60,800	60,800
2031		60,800	60,800
2032		60,800	60,800
2033		60,800	60,800
2034	140,000	58,000	198,000
2035	140,000	52,400	192,400
2036	140,000	46,800	186,800
2037	275,000	38,500	313,500
2038	275,000	27,500	302,500
2039	275,000	16,500	291,500
2040	275,000	5,500	280,500
2041			
2042			
	$ 1,520,000	$ 1,157,200	$ 2,677,200

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

	SERIES - 2016		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 100,000	$ 103,200	$ 203,200
2020	100,000	100,600	200,600
2021	100,000	98,000	198,000
2022	100,000	95,400	195,400
2023	100,000	92,700	192,700
2024	100,000	89,800	189,800
2025	100,000	86,725	186,725
2026	100,000	83,500	183,500
2027	100,000	80,150	180,150
2028	100,000	76,700	176,700
2029	100,000	73,200	173,200
2030	100,000	69,575	169,575
2031	100,000	65,825	165,825
2032	100,000	61,950	161,950
2033	100,000	57,950	157,950
2034	150,000	52,950	202,950
2035	150,000	46,875	196,875
2036	150,000	40,725	190,725
2037	150,000	34,575	184,575
2038	150,000	28,350	178,350
2039	150,000	22,050	172,050
2040	150,000	15,750	165,750
2041	150,000	9,450	159,450
2042	150,000	3,150	153,150
	$ 2,850,000	$ 1,489,150	$ 4,339,150

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

	SERIES-2017 REFUNDING		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 50,000	$ 110,412	$ 160,412
2020	55,000	109,362	164,362
2021	170,000	107,112	277,112
2022	180,000	103,612	283,612
2023	235,000	99,462	334,462
2024	235,000	94,763	329,763
2025	240,000	90,013	330,013
2026	245,000	84,856	329,856
2027	250,000	78,975	328,975
2028	260,000	70,650	330,650
2029	265,000	60,150	325,150
2030	275,000	49,350	324,350
2031	290,000	38,050	328,050
2032	300,000	27,563	327,563
2033	310,000	17,838	327,838
2034	130,000	10,688	140,688
2035	125,000	6,388	131,388
2036	120,000	2,100	122,100
2037			
2038			
2039			
2040			
2041			
2042			
	$ 3,735,000	$ 1,161,344	$ 4,896,344

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	$ 295,000	$ 290,167	$ 585,167
2020	310,000	279,337	589,337
2021	320,000	269,587	589,587
2022	330,000	261,037	591,037
2023	335,000	252,962	587,962
2024	335,000	245,363	580,363
2025	340,000	237,538	577,538
2026	345,000	229,156	574,156
2027	350,000	219,925	569,925
2028	360,000	208,150	568,150
2029	365,000	194,150	559,150
2030	375,000	179,725	554,725
2031	390,000	164,675	554,675
2032	400,000	150,313	550,313
2033	410,000	136,588	546,588
2034	420,000	121,638	541,638
2035	415,000	105,663	520,663
2036	410,000	89,625	499,625
2037	425,000	73,075	498,075
2038	425,000	55,850	480,850
2039	425,000	38,550	463,550
2040	425,000	21,250	446,250
2041	150,000	9,450	159,450
2042	150,000	3,150	153,150
	$ 8,505,000	$ 3,836,924	$ 12,341,924

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2018

Description	Original Bonds Issued	Bonds Outstanding June 1, 2017
Montgomery County Municipal Utility District No. 99 Unlimited Tax Bonds - Series 2009	$ 3,200,000	$ 2,735,000
Montgomery County Municipal Utility District No. 99 Unlimited Tax Bonds - Series 2011	1,425,000	1,225,000
Montgomery County Municipal Utility District No. 99 Unlimited Tax Bonds - Series 2015	1,520,000	1,520,000
Montgomery County Municipal Utility District No. 99 Unlimited Tax Bonds - Series 2016	2,910,000	2,910,000
Montgomery County Municipal Utility District No. 99 Unlimited Tax Refunding Bonds - Series 2017	3,735,000	
TOTAL	$ 12,790,000	$ 8,390,000

Bond Authority:	Tax Bonds*
Amount Authorized by Voters	$ 80,000,000
Amount Issued	9,370,000
Remaining to be Issued	$ 70,630,000

Debt Service Fund cash and investment balances as of May 31, 2018:	$ 1,062,001
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 514,247

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

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

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	May 31, 2018	Paying Agent
$	$ 2,520,000	$ 13,030	$ 215,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,040,000	9,480	185,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		60,800	1,520,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	60,000	125,608	2,850,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
3,735,000		76,715	3,735,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
$ 3,735,000	$ 3,620,000	$ 285,633	$ 8,505,000	

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	$ 316,592	$ 260,512	$ 202,979
Water Service	121,576	103,933	87,956
Wastewater Service	188,072	160,186	135,761
Conservation District/Water Authority Fees	152,325	128,156	111,412
Penalty and Interest	6,039	5,768	4,725
Tap Connection and Inspection Fees	72,885	56,800	28,440
Sale of Capacity	211,837	106,934	146,894
Investment Revenues	1,468	929	452
Miscellaneous Revenues	13,452	9,534	10,050
TOTAL REVENUES	$ 1,084,246	$ 832,752	$ 728,669
EXPENDITURES			
Professional Fees	$ 110,388	$ 86,026	$ 92,441
Contracted Services	174,458	149,011	120,640
Purchased Water Service	85,352	92,530	93,797
Purchased Wastewater Service	58,551	55,002	52,852
Utilities	144	122	40
Repairs and Maintenance	89,015	94,294	48,623
Other	117,858	92,023	75,020
Capital Outlay	340,051		16,125
Capital Lease Principal			
TOTAL EXPENDITURES	$ 975,817	$ 569,008	$ 499,538
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 108,429	$ 263,744	$ 229,131
OTHER FINANCING SOURCES (USES)			
Contributed by Other Governmental Unit	$	$	$
Transfers Out			
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 108,429	$ 263,744	$ 229,131
BEGINNING FUND BALANCE	916,985	653,241	424,110
ENDING FUND BALANCE	$ 1,025,414	$ 916,985	$ 653,241

See accompanying independent auditor's report.

2015	2014	Percentage of Total Revenue 2018	2017	2016	2015	2014
$ 168,551	$ 131,724	29.3 %	31.4 %	27.8 %	27.7 %	35.3 %
74,310	72,432	11.3	12.5	12.1	12.3	19.4
113,029	109,871	17.3	19.2	18.6	18.7	29.5
57,287	47,560	14.0	15.4	15.3	9.5	12.8
4,732	4,534	0.6	0.7	0.6	0.8	1.2
72,700	2,070	6.7	6.8	3.9	12.0	0.6
111,166		19.5	12.8	20.2	18.3	
286	202	0.1	0.1	0.1		0.1
3,985	4,192	1.2	1.1	1.4	0.7	1.1
$ 606,046	$ 372,585	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 107,469	$ 97,671	10.2 %	10.4 %	12.6 %	17.7 %	26.2 %
60,630	97,143	16.1	17.9	16.6	10.0	26.1
83,130	61,044	7.9	11.1	12.9	13.7	16.4
29,167	33,569	5.4	6.6	7.3	4.8	9.0
631	250				0.1	0.1
40,615	32,597	8.2	11.3	6.7	6.7	8.7
104,427	54,505	10.9	11.1	10.3	17.2	14.6
19,600		31.4		2.2	3.2	
	176,099					47.3
$ 445,669	$ 552,878	90.1 %	68.4 %	68.6 %	73.4 %	148.4 %
$ 160,377	$ (180,293)	9.9 %	31.6 %	31.4 %	26.6 %	(48.4) %
$	$ 176,099					
	(170,595)					
$ - 0 -	$ 5,504					
$ 160,377	$ (174,789)					
263,733	438,522					
$ 424,110	$ 263,733					

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	$ 681,487	$ 560,495	$ 436,713
Penalty and Interest	5,095	2,653	1,093
Investment Revenues	2,287	1,227	852
Miscellaneous Revenues	1		413
TOTAL REVENUES	$ 688,870	$ 564,375	$ 439,071
EXPENDITURES			
Tax Collection Expenditures	$ 25,891	$ 19,363	$ 16,459
Debt Service Principal	200,000	130,000	125,000
Debt Service Interest and Fees	291,690	298,320	228,853
Bond Issuance Costs	175,735		
Payment to Refunded Bond Escrow Agent	84,000		
TOTAL EXPENDITURES	$ 777,316	$ 447,683	$ 370,312
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (88,446)	$ 116,692	$ 68,759
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	$ 3,735,000	$ 106,060	$ 60,800
Payment to Refunded Bond Escrow Agent	(3,617,786)		
Bond Premium	61,661		
TOTAL OTHER FINANCING SOURCES (USES)	$ 178,875	$ 106,060	$ 60,800
NET CHANGE IN FUND BALANCE	$ 90,429	$ 222,752	$ 129,559
BEGINNING FUND BALANCE	966,293	743,541	613,982
ENDING FUND BALANCE	$ 1,056,722	$ 966,293	$ 743,541
TOTAL ACTIVE RETAIL WATER CONNECTIONS	490	412	349
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	478	400	336

See accompanying independent auditor's report.

2015	2014	Percentage of Total Revenue 2018	2017	2016	2015	2014
$ 363,128	$ 340,665	99.0 %	99.3 %	99.5 %	99.4 %	99.5 %
982	666	0.7	0.5	0.2	0.3	0.2
828	1,065	0.3	0.2	0.2	0.2	0.3
383				0.1	0.1	
$ 365,321	$ 342,396	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 14,228	$ 15,836	3.8 %	3.4 %	3.7 %	3.9 %	4.6 %
120,000	115,000	29.0	23.0	28.5	32.8	33.6
234,528	239,403	42.3	52.9	52.1	64.2	69.9
		25.5				
		12.2				
$ 368,756	$ 370,239	112.8 %	79.3 %	84.3 %	100.9 %	108.1 %
$ (3,435)	$ (27,843)	(12.8) %	20.7 %	15.7 %	(0.9) %	(8.1) %
$ - 0 -	$ - 0 -					
$ - 0 -	$ - 0 -					
$ (3,435)	$ (27,843)					
617,417	645,260					
$ 613,982	$ 617,417					
320	243					
309	238					

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2018

District Mailing Address - Montgomery County Municipal Utility District No. 99
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended May 31, 2018	Expense reimbursements for the year ended May 31, 2018	Title
Michael Winner	05/18 - 05/22 (Elected)	$ 1,650	$ 143	President
Paul Wood	05/18 - 05/22 (Elected)	$ 1,650	$ 130	Vice President
Debra Revels-Stoots	05/18 - 05/22 (Elected)	$ 1,650	$ 119	Secretary
Rudolph C. Barajas	05/16- 05/20 (Elected)	$ 1,350	$ 117	Assistant Secretary
Chris Weatherly	05/16- 05/20 (Elected)	$ 1,500	$ 161	Director

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

The submission date of the most recent District Registration Form was (TWC Sections 36.054 and 49.054): June 6, 2018.

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 June 27, 2005. Fees of Office are the amounts actually paid to a Director during the District's fiscal year.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 99
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2018

Consultants:	Date Hired	District Fees for the year ended May 31, 2018	Water Plant and Wastewater Treatment Plant Fees for the year ended May 31, 2018	Title
Smith, Murdaugh, Little & Bonham, L.L.P.	06/27/05 01/22/13	$ 42,326 $ 38,809 $ 3,099	$ 8,726	Attorney/ Bond Counsel/ Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	06/24/08	$ 12,300 $ -0-	$ 5,500	Auditor/ Bond Related
Myrtle Cruz, Inc.	07/25/05	$ 14,989 $ 2,500	$ 11,170	Bookkeeper/ Bond Related
IDS Engineering Group	06/27/05	$ 235,032 $ 45,500	$ -0-	Engineer/ Bond Related
Masterson Advisors LLC	4/24/18	$ -0-	$ -0-	Financial Advisor
FirstSouthwest a Division of Hilltop Securities Inc.	06/27/05	$ 41,096	$ -0-	Former Financial Advisor
Bill Russell	10/25/05	$ -0-	$ -0-	Investment Officer
Municipal Operations & Consulting	07/25/05	$ 167,111	$ 52,742	Operator
Equi-Tax, Inc.	07/25/05	$ 13,162	$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100