OFFICIAL STATEMENT DATED MAY 6, 2019

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 67. IN THE OPINION OF SPECIAL TAX COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND THE BONDS ARE NOT "PRIVATE ACTIVITY BONDS". SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF SPECIAL TAX COUNSEL.

THE BONDS ARE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. See "TAX MATTERS – Purchase of Tax-Exempt Obligations by Financial Institutions" herein.

NEW ISSUE – Book Entry Only

Moody's Investors Service, Inc. (underlying) ...."A1"
S&P Global Ratings (BAM Insured)...................."AA/Stable"

$6,805,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 67, OF MONTGOMERY COUNTY, TEXAS

(A Political Subdivision of the State of Texas located within Montgomery County)

UNLIMITED TAX REFUNDING BONDS, SERIES 2019

Interest accrues from: June 1, 2019 **Due: September 1, as shown on inside cover page**

The $6,805,000 Montgomery County Municipal Utility District No. 67, of Montgomery County, Texas, Unlimited Refunding Bonds, Series 2019 (the "Bonds") are obligations of Montgomery County Municipal Utility District No. 67, of Montgomery County, Texas (the "District"), and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; The Woodlands Township; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; The Woodlands Township, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal on the Bonds is scheduled to mature on September 1 of the years as shown on the inside cover page. Interest will accrue from June 1, 2019, and will be payable March 1 and September 1 of each year ("Interest Payment Date"), commencing March 1, 2020, until the earlier of maturity or prior redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of the Bonds at maturity or at prior redemption, together with accrued interest on the Bonds, is payable to the registered owner(s) of the Bonds (the "Bondholder(s)") at The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (sometimes herein called the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent and a Bondholder, interest on the Bonds and principal payment upon mandatory redemption of any term bonds are payable by check or draft of the Paying Agent, dated as of the Interest Payment Date and mailed by the Paying Agent to each Bondholder, as shown on the records of the Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"). The Bonds will be issued only in fully registered form in the denomination of $5,000 of principal amount, or any integral multiple thereof.

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 (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Bonds as described herein. See "BOOK-ENTRY-ONLY SYSTEM."

See "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

The proceeds of the Bonds will be applied to refund certain outstanding bonds of the District and to pay certain costs incurred in connection with the issuance of the Bonds in order to achieve gross and net present value savings in the District's annual debt service expense. See "PLAN OF FINANCING."

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein.

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, and Bracewell LLP, Austin, Texas, Special Tax Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton LLP, Houston, Texas, Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about June 11, 2019.

SAMCO CAPITAL MARKETS, INC.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

$6,805,000 Unlimited Tax Refunding Bonds, Series 2019

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 613924 (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 613924 (b)
2020	$ 175,000	3.000%	1.800%	LL1	2025 (c)	$ 125,000	2.000%	2.160%	LR8
2021	1,340,000	3.000%	1.870%	LM9	2026 (c)	130,000	2.000%	2.240%	LS6
2022	1,495,000	3.000%	1.910%	LN7	2027 (c)	130,000	2.000%	2.380%	LT4
2023	1,545,000	3.000%	1.960%	LP2	2028 (c)	140,000	2.250%	2.530%	LU1
2024	1,585,000	3.000%	2.050%	LQ0	2029 (c)	140,000	2.375%	2.700%	LV9

(a) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Underwriter (herein defined), and may subsequently be changed. Accrued interest from June 1, 2019, is to be added to the price.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) The Bonds maturing on or 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 the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions." The yield on Bonds is calculated to the lower of yield to redemption or maturity. In addition, the Underwriter may designate one or more of the Bonds as term bonds.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer of 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, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056, upon payment of the costs for duplication thereof.

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 the 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, other matters described in the "Official Statement" until delivery of the Bonds to the Underwriter and thereafter only as specified in "GENERAL CONSIDERATIONS - Updating of Official Statement," and "CONTINUING DISCLOSURE OF INFORMATION."

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets, Inc. (referred to herein as the "Underwriter") has agreed to purchase the Bonds from the District for $6,962,794.92 (being the par amount of the Bonds, plus a net original issue premium on the Bonds of $210,734.15, and less an underwriter's discount of $52,939.23), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

Prices and Marketability

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 or regulations of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws or regulations 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 jurisdictions.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $526 million, $113 million and $414 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

RATINGS

The Bonds are expected to receive an insured rating of "AA/Stable" from S&P solely in reliance upon the issuance of the Policy issued by BAM at the time of the delivery of the Bonds. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, 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.

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying credit rating of "A1" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the ratings of S&P and Moody's.

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OFFICIAL STATEMENT SUMMARY

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

GENERAL

The Issuer	Montgomery County Municipal Utility District No. 67, of Montgomery County, Texas (the "District"), a political subdivision of the State of Texas, is located within Montgomery County, Texas, and contains approximately 1,723 acres. See "THE DISTRICT."
The Issue	The $6,805,000 Montgomery County Municipal Utility District No. 67, of Montgomery County, Texas, Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds"), are dated June 1, 2019. The Bonds mature on September 1 as shown on the inside cover page hereof. Interest on the Bonds accrues from June 1, 2019, and is payable March 1 and September 1 of each year, commencing March 1, 2020, until the earlier of maturity or prior redemption. See "THE BONDS."
Redemption	The Bonds scheduled to mature on or after September 1, 2025, are subject to redemption, in whole or, from time to time, in part, prior to their scheduled maturities, on September 1, 2024, or on any date thereafter, at par plus accrued interest to the date fixed for redemption, at the option of the District. If less than all the Bonds are redeemed at any time, the District shall determine the maturities and the amounts thereof to be redeemed in integral multiples of $5,000 in principal amounts, and if less than all of the Bonds within a maturity are to be redeemed, the Registrar shall select by lot or other customary method of random selection the Bonds within such maturity to be redeemed. See "THE BONDS – Redemption."
Use of Proceeds	The proceeds of the Bonds will be applied to refund $630,000 of the District's $2,450,000 Unlimited Tax Refunding Bonds, Series 2005 (the "Series 2005 Refunding Bonds"), $580,000 of the District's $8,095,000 Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds"), $1,275,000 of the District's $2,015,000 Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds"), $3,020,000 of the District's $4,565,000 Unlimited Tax Refunding Bonds, Series 2011, (the "Series 2011 Refunding Bonds") and $1,255,000 of the District's $3,075,000 Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds") in order to achieve annual gross and net present value savings in the District's annual debt service expense. The refunded portions of the Series 2005 Refunding Bonds, the Series 2010 Refunding Bonds, the Series 2011 Bonds, the Series 2011 Refunding Bonds and the Series 2012 Refunding Bonds are collectively referred to herein as the "Refunded Bonds." The proceeds will also be used to pay certain costs of issuing the Bonds. See "PLAN OF FINANCING."
Remaining Outstanding Bonds	The District has previously issued nine series of unlimited tax bonds for water, wastewater and drainage purposes, aggregating $36,330,000. The District has also issued six series of unlimited tax bonds to refund a portion of the bonds previously issued. Excluding the Refunded Bonds, $9,815,000 principal amount of bonds previously issued will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"). See "THE BONDS – Remaining Outstanding Bonds"

Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment."
Payment Record	The District has never defaulted on the timely payment of principal or interest on its outstanding bonded indebtedness. See "DISTRICT DEBT."
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS – Purchase of Tax-Exempt Obligations by Financial Institutions."
Municipal Bond Insurance	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Ratings	Moody's Investors Service, Inc. (underlying): "A1". S&P Global Ratings (BAM insured): "AA/Stable". See "RATINGS."
Legal Opinions	Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel and Bracewell LLP, Austin, Texas, Special Tax Counsel. See "LEGAL MATTERS."
Underwriter's Counsel	McCall, Parkhurst & Horton LLP, Houston, Texas.
Verification Agent	Public Finance Partners LLC, Rockford, Minnesota. See "THE DISTRICT – Special Consultants Related to Issuance of the Bonds" and "VERIFICATION OF MATHEMATICAL CALCULATIONS."

THE DISTRICT

Description	The District was created pursuant to Article XVI, Section 59, Texas Constitution, by House Bill No. 2211, passed by the 69th Texas Legislature, Regular Session, 1985, Chapter 756, codified as Chapter 8292, Special District Local Laws Code, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is located entirely within The Woodlands in Montgomery County, Texas, approximately 30 miles north of the central business district of the City of Houston and approximately 13 miles south of the City of Conroe. The District is accessible via Interstate Highway No. 45, The Woodlands Parkway, Texas State Highway 242 and Research Forest Drive and is located within the exclusive extraterritorial jurisdiction of the City of Houston. The District is comprised of approximately 1,723 acres of land within the 28,000-acre community known as The Woodlands. See "THE DISTRICT."
Status of Development	The District lies within the Village of Cochran's Crossing, the Village of Alden Bridge, and Grogan's Mill, three of the seven residential villages planned in The Woodlands, and College Park, an area with mixed residential and commercial properties. Land within the District includes the residential subdivisions of Village of Cochran's Crossing, Sections 31-33, 37-44, 46 and 50-51; Village of Alden Bridge, Sections 1-5, 15, 24, 25, 99 and 102; East Shore – Grogan's Mill, Sections 4-6, 13, 15 and 18; and College Park – Windsor Hills, Section 1-6. Current residential development is taking place in Grogan's Mill. Of the approximately 1,723 acres within the District, to date, approximately 1,233 acres have been developed as building sites with utilities and approximately 458 acres have been dedicated as streets, easements and open spaces.

	There is currently approximately 32 acres of undeveloped but developable land within the District. See “CURRENT STATUS OF DEVELOPMENT IN THE DISTRICT.”
Developer	The Woodlands Land Development Company, L.P. (the “Developer”) is developing the property within the District. See “THE DEVELOPER.”
Hurricane Harvey	The Houston area, including Montgomery County, sustained widespread rain damage and flooding as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rains and flooding caused by hurricanes, tropical storms, and other tropical disturbances. The District did not sustain any material damage and there was no interruption of water and sewer service. According to The Woodlands Joint Power Agency, approximately nine homes within the District experienced minor flooding or other minor damage as a result of Hurricane Harvey. See “INVESTMENT CONSIDERATIONS - Hurricane Harvey.”

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2018 Assessed Valuation (100% of market value as of January 1, 2018) See "TAX DATA" and "TAXING PROCEDURES."	$	1,510,366,863	(a)
2019 Preliminary Valuation (100% of market value as of January 1, 2019) See "TAX DATA" and "TAXING PROCEDURES."	$	1,639,270,678	(b)
Direct Debt:			
Remaining Outstanding Bonds	$	9,815,000	(c)
The Bonds		6,805,000	
Total	$	16,620,000	
Estimated Overlapping Debt	$	74,694,012	(d)
Direct and Estimated Overlapping Debt	$	91,314,012	
Debt Service Fund Balance (as of March 31, 2019)	$	2,656,215	(e)
Operating Fund Balance (as of March 31, 2019)	$	4,958,726	
Capital Projects Fund Balance (as of March 31, 2019)	$	905,138	
Direct Debt Ratios:			
As a percentage of 2018 Assessed Valuation ($1,510,366,863)		1.10	%
As a percentage of 2019 Preliminary Valuation ($1,639,270,678)		1.01	%
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of 2018 Assessed Valuation ($1,510,366,863)		6.05	%
As a percentage of 2019 Preliminary Valuation ($1,639,270,678)		5.57	%
2018 Tax Rate (per $100 of assessed valuation)			
Debt Service		$ 0.1200	
Maintenance		$ 0.0400	
Total		$ 0.1600	
Average Annual Debt Service Requirements of the Bonds and Remaining Outstanding Bonds (2019-2032)	$	1,395,655	
Maximum Annual Debt Service Requirements of the Bonds and Remaining Outstanding Bonds (2020)	$	2,065,669	
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and Remaining Outstanding Bonds (2019-2032) at 95% Tax Collections:			
Based Upon 2018 Assessed Valuation ($1,510,366,863)		$ 0.10	
Based Upon 2019 Preliminary Valuation ($1,639,270,678)		$ 0.09	
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and Remaining Outstanding Bonds (2020) at 95% Tax Collections:			
Based Upon 2018 Assessed Valuation ($1,510,366,863)		$ 0.15	
Based Upon 2019 Preliminary Valuation ($1,639,270,678)		$ 0.14	

(a) Certified by the Montgomery Central Appraisal District ("MCAD") as of January 1, 2018.
(b) Provided by MCAD as the preliminary determination of the taxable value in the District as of January 1, 2019. No taxes will be levied on the preliminary value, which is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value upon certification. See "TAXING PROCEDURES."
(c) Outstanding debt at the time of issuance, excluding the Refunded Bonds.
(d) See "DISTRICT DEBT – Estimated Overlapping Debt."
(e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. At the time of the closing, accrued interest on the Bonds from June 1, 2019, to the date of delivery will be deposited to the Debt Service Fund.

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 67, of Montgomery County, Texas (the "District"), of its $6,805,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to (i) the Bond Order ("Bond Order") adopted by the Board of Directors of the District, (ii) the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, and Chapter 1207 Government Code, as amended, and (iii) an election held within the District on November 5, 1991, and (iv) Ordinance No. 97-416 of the City of Houston relating to refunding bonds issued by conservation and reclamation districts within the extraterritorial jurisdiction of the City of Houston (the "Ordinance").

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

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

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated June 1, 2019, with interest payable on March 1, 2020, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from June 1, 2019, and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the amounts shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

The District has previously issued nine series of unlimited tax bonds out of the total voter authorized bonds in the principal amount of $36,330,000 payable in whole or in part from taxes which were authorized by the voters of the District at various elections held within the District for purposes of acquiring and constructing a waterworks, sanitary sewer and drainage system to serve the District. In addition, the District has issued six series of unlimited tax refunding bonds, which were authorized by the voters of the District at an election held on November 5, 1991. The previously issued unlimited tax bonds and the previously issued unlimited tax refunding bonds are referred to herein collectively as the "Previously Issued Bonds." Following the issuance of the Bonds, $3,243,569.53 principal amount of unlimited tax refunding bonds and $6,550,000 principal amount of waterworks and sewer system unlimited tax bonds will remain authorized but unissued.

The Bonds are issued pursuant to (i) the Bond Order adopted by the Board of Directors of the District, (ii) the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, and Chapter 1207 Government Code, as amended, and (iii) an election held within the District on November 5, 1991, and (iv) the Ordinance.

Source and Security for Payment

The Bonds, together with the Remaining Outstanding Bonds (herein defined) and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property located within the District. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to carefully examine this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; The Woodlands Township; or any entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Debt Service Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Previously Issued Bonds. Accrued interest on the Bonds will be deposited from the proceeds from the sale of the Bonds into the Bond Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Remaining Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Remaining Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Remaining Outstanding Bonds, the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Redemption Provisions

The District reserves the right to redeem the Bonds maturing on or after September 1, 2025, prior to their scheduled maturities at the option of the District, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, in integral multiples of $5,000, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. 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.

Remaining Outstanding Bonds

The District has previously issued nine series of unlimited tax bonds for water, wastewater and drainage purposes, aggregating $36,330,000. The District has also issued six series of unlimited tax bonds to refund a portion of the bonds previously issued. Excluding the Refunded Bonds (herein defined), $9,815,000 principal amount of bonds previously issued will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds").

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., with its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds (the "Paying Agent/Registrar"). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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.

Issuance of Additional Debt

The District may issue bonds necessary to provide those improvements and facilities for which the District was created. Following the issuance of the Bonds, $3,243,569.53 principal amount of unlimited tax refunding bonds and $6,550,000 principal amount of waterworks and sewer system unlimited tax bonds will remain authorized but unissued. Additional tax or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money, under limited circumstances, for its lawful corporate purpose and to issue revenue notes, bond anticipation notes, or tax anticipation notes. See “INVESTMENT CONSIDERATIONS - Future Debt.”

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (3) approval of master plan and bonds by the Commission; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. The District has no information concerning any determination by the City concerning modification of its ordinances.

The Bond Order imposes no limitation on the amount of additional bonds that may be issued by the District. Any additional bonds issued by the District may be on parity with the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve a maintenance tax to support recreational facilities and/or the issuance of bonds payable from taxes.

The District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District. In addition, conservation and reclamation districts in certain counties are 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; (v) the issuance of the bonds is approved by the Commission in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. Due to certain limitations under current law with respect to districts located in Montgomery County, the District may not issue bonds payable from ad valorem taxes for recreational facilities. The District may issue bonds for such purposes payable solely from net operating revenues without an election.

The District has not considered calling an election to authorize the levy of an operation and maintenance tax to support recreational facilities, but could consider doing so in the future.

Current law may be changed in a manner to permit the issuance by the District of bonds payable from ad valorem taxes for recreational purposes, or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Annexation, Incorporation and Consolidation

The District lies within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”). Under Texas law, a district situated in the extraterritorial jurisdiction of a home-rule city may be annexed in whole, but not in part, by the City subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the assets, functions and obligations of the district, including the district's outstanding bonds. No representation is made concerning the eventual likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

In addition, the District is located entirely within The Woodlands Township, Texas, a political subdivision of the State of Texas which overlaps substantially all of the territory of The Woodlands. The Woodlands Township, Texas, entered into agreements with the City of Conroe and the City in 2007 pursuant to which the area of the Township, including the District, may not be annexed for fifty (50) years, and the area of the Township may, on request by The Woodlands Township, Texas, be excluded from the extraterritorial jurisdiction of either or both cities, and may thereafter be incorporated as a municipality or may adopt a new form of local government.

In the event of incorporation of The Woodlands Township, Texas, the incorporated municipality may dissolve the District and assume the assets, obligations and liabilities of the District, including the Bonds. No representation is made concerning the eventual likelihood of incorporation of The Woodlands Township, Texas, the likelihood of the incorporated municipality to dissolve the District or the ability of the incorporated municipality to make debt service payments should incorporation and dissolution occur.

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, but the District currently has no plans to do so.

Remedies in Event of Default

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 right to seek 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. Certain traditional legal remedies also may not be available. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies."

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision 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. The foregoing obligations may be in book entry form, and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Security certificate will be issued for each of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Securities 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 Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

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

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

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer 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 book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

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PLAN OF FINANCING

Use of Proceeds

The proceeds of the Bonds will be applied to refund $630,000 of the District's $2,450,000 Unlimited Tax Refunding Bonds, Series 2005 (the "Series 2005 Refunding Bonds"), $580,000 of the District's $8,095,000 Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds"), $1,275,000 of the District's $2,015,000 Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds"), $3,020,000 of the District's $4,565,000 Unlimited Tax Refunding Bonds, Series 2011, (the "Series 2011 Refunding Bonds") and $1,255,000 of the District's $3,075,000 Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds") in order to achieve annual gross and net present value savings in the District's annual debt service expense. The refunded portions of the Series 2005 Refunding Bonds, the Series 2010 Refunding Bonds, the Series 2011 Bonds, the Series 2011 Refunding Bonds and the Series 2012 Refunding Bonds are collectively referred to herein as the "Refunded Bonds." The proceeds will also be used to pay certain costs of issuing the Bonds. The Bonds are issued in order to achieve annual gross and net present value savings in the District's annual debt service expense.

Series 2005 Refunding Bonds	
Principal Amount	Maturity Date
$115,000	09/01/2020
120,000	09/01/2021
125,000	09/01/2022
130,000	09/01/2023
140,000	09/01/2024
$630,000	

Series 2010 Refunding Bonds	
Principal Amount	Maturity Date
$345,000	09/01/2021
235,000	09/01/2022
$580,000	

Redemption Date: 6/13/2019

Series 2011 Bonds	
Principal Amount	Maturity Date
$115,000	09/01/2021
120,000	09/01/2022
125,000	09/01/2023
135,000	09/01/2024
140,000	09/01/2025
150,000	09/01/2026
155,000	09/01/2027
165,000	09/01/2028
170,000	09/01/2029
$1,275,000	

Series 2011Refunding Bonds	
Principal Amount	Maturity Date
$710,000	09/01/2021
740,000	09/01/2022
740,000	09/01/2023
830,000	09/01/2024
$3,020,000	

Series 2012 Refunding Bonds	
Principal Amount	Maturity Date
$240,000	09/01/2022
530,000	09/01/2023
485,000	09/01/2024
$1,255,000	

Redemption Date: 9/1/2019

Total Principal Amount of the Refunded Bonds: $6,760,000

Remaining Outstanding Bonds

The following represents the previously issued bonds that will remain outstanding following the issuance of the Bonds.

	Original Principal Amount	Remaining Outstanding Principal Amount	Less: Refunded Bonds	Remaining Outstanding Bonds
Series 2005 Refunding Bonds	$ 2,450,000	$ 850,000	$ (630,000)	$ 220,000
Series 2010 Refunding Bonds	8,095,000	1,115,000	(580,000)	535,000
Series 2011 Refunding Bonds	4,565,000	3,675,000	(3,020,000)	655,000
Series 2011 Bonds	2,015,000	1,385,000	(1,275,000)	110,000
Series 2012 Refunding Bonds	3,075,000	2,535,000	(1,255,000)	1,280,000
Series 2017 Bonds	7,015,000	7,015,000	-0-	7,015,000
	$ 27,215,000	$ 16,575,000	$ (6,760,000)	$ 9,815,000

Escrow Agent

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent (the "Escrow Agent").

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to be dated as of the date of the sale of the Bonds but effective on the date of delivery of the Bonds (expected to be June 11, 2019). The Bond Order further provides that from the proceeds of the sale of the Bonds, along with certain other lawfully available funds of the District, if any, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

Defeasance of the Refunded Bonds

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the orders authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

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Sources and Uses of Funds

The proceeds derived from the sale of the Bonds will be applied as follows:

SOURCES OF FUNDS:	
Principal Amount of Bonds	$ 6,805,000.00
Net Premium	210,734.15
Accrued Interest on Bonds	5,510.42
Debt Service Fund Transfer	115,000.00
Total Sources of Funds	$ 7,136,244.57
USES OF FUNDS:	
Deposit for Payment of Refunded Bonds	$ 6,863,267.31
Deposit of Accrued Interest to Debt Service Fund	5,510.42
Insurance Premium	18,729.32
Issuance Expenses and Underwriter's Discount	244,844.23
Additional Proceeds	3,893.29
Total Uses of Funds	$ 7,136,244.57

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DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District and other political subdivisions, which overlap all or a portion of the District, are empowered to incur debt to be paid from revenues raised or to be raised by taxation of all or a portion of the property within the District.

2018 Assessed Valuation	$	1,510,366,863	(a)
(100% of market value as of January 1, 2018) See "TAX DATA" and "TAXING PROCEDURES."			
2019 Preliminary Valuation	$	1,639,270,678	(b)
(100% of market value as of January 1, 2019) See "TAX DATA" and "TAXING PROCEDURES."			
Direct Debt:			
Remaining Outstanding Bonds	$	9,815,000	(c)
The Bonds		6,805,000	
Total	$	16,620,000	
Estimated Overlapping Debt	$	74,694,012	(d)
Total Direct and Estimated Overlapping Debt	$	91,314,012	
Debt Service Fund Balance (as of March 31, 2019)	$	2,656,215	(e)
Operating Fund Balance (as of March 31, 2019)	$	4,958,726	
Capital Projects Fund Balance (as of March 31, 2019)	$	905,138	
2018 Tax Rate (per $100 of assessed valuation)			
Debt Service		$ 0.1200	
Maintenance		$ 0.0400	
Total		$ 0.1600	

(a) Certified by the Montgomery Central Appraisal District ("MCAD") as of January 1, 2018.
(b) Provided by MCAD as the preliminary determination of the taxable value in the District as of January 1, 2019. No taxes will be levied on the preliminary value, which is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value upon certification. See "TAXING PROCEDURES."
(c) Outstanding debt at the time of issuance, excluding the Refunded Bonds.
(d) See "DISTRICT DEBT – Estimated Overlapping Debt."
(e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. At the time of the closing, accrued interest on the Bonds from June 1, 2019, to the date of delivery will be deposited to the Debt Service Fund.

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Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Debt as of March 31, 2019	Overlapping Percent	Overlapping Amount
Conroe Independent School District	$1,207,585,000	4.23 %	$ 51,035,863
Montgomery County	529,035,000	2.78	14,720,113
Lone Star College System District	609,845,000	0.77	4,710,266
The Woodlands Road Utility District No. 1	47,035,000	3.85	1,810,926
The Woodlands Township	32,190,000	7.51	2,416,844
Total Estimated Overlapping Debt			$ 74,694,012
The District (a)			$ 16,620,000
Total Direct and Estimated Overlapping Debt (a)			$ 91,314,012

(a) Outstanding debt at the time of issuance, includes the Bonds and excludes the Refunded Bonds.

Debt Ratios

	As Percent of 2018 Taxable Assessed Valuation	As Percent of 2019 Taxable Preliminary Valuation
Direct Debt (a)	1.10%	1.01%
Total Direct and Estimated Overlapping Debt (a)	6.05%	5.57%

(a) Outstanding debt at the time of issuance, includes the Bonds and excludes the Refunded Bonds.

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Debt Service Requirements

The following schedule sets forth the current total debt service requirements of the District, less the Refunded Bonds, plus the principal and interest requirements on the Bonds.

Calendar	Outstanding	Less: Refunded	Plus: The Bonds		Total
Year	Debt Service (a)	Debt Service	Principal	Interest	Debt Service
2019	$ 1,570,464	$ (143,996)	-	-	$ 1,426,468
2020	2,045,691	(402,991)	$ 175,000	$ 247,969	2,065,669
2021	1,880,766	(1,573,104)	1,340,000	193,125	1,840,787
2022	1,877,010	(1,688,373)	1,495,000	152,925	1,836,562
2023	1,881,398	(1,692,760)	1,545,000	108,075	1,841,713
2024	1,880,570	(1,691,933)	1,585,000	61,725	1,835,362
2025	1,070,675	(172,038)	125,000	14,175	1,037,812
2026	1,084,810	(176,438)	130,000	11,675	1,050,047
2027	1,096,905	(175,438)	130,000	9,075	1,060,542
2028	1,106,963	(179,238)	140,000	6,475	1,074,200
2029	1,114,805	(177,225)	140,000	3,325	1,080,905
2030	1,120,850	-	-	-	1,120,850
2031	1,130,100	-	-	-	1,130,100
2032	1,138,150	-	-	-	1,138,150
Total	$19,999,157	$ (8,073,534)	$ 6,805,000	$ 808,544	$ 19,539,167

Average Annual Requirements - (2019-2032)........ $ 1,395,655
Maximum Annual Requirement - (2020)........ $ 2,065,669

(a) Outstanding debt service at the time of issuance of the Bonds.

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TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly 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"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a 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. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Montgomery County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; 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 or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2019 tax year, the District voted to grant a $20,000 homestead exemption for persons of age sixty-five (65) or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act.

The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran 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 (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or (ii) a first responder as defined under Texas law, 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.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft, and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has not exercised its option to tax goods-in-transit personal property but may choose to do so in the future.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For the 2018 and 2019 tax years, the District voted to grant a 20% general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by 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.

On August 25, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast, significantly impacting the entire region and resulting in a disaster declaration by the Governor of the State of Texas and the President of the United States. See "INVESTMENT CONSIDERATIONS – Hurricane Harvey." 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. According to WJPA (herein defined), the System did not sustain any material damage and there was no interruption of water and sewer service. According to WJPA, approximately nine homes within the District experienced flooding or other minor damage as a result of Hurricane Harvey. See "THE DISTRICT – Management and Contract Services." The District did not request a reappraisal due to Hurricane Harvey.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may 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 comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, approximately 32 acres of land within the District are currently designated for agricultural, open space, or timberland use.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one-hundred and eightieth (180th) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency, date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January I of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "TAX DATA – Estimated Overlapping Taxes"). 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. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS – Tax Collection Limitations."

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds and the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed $0.2500 per $100 of assessed valuation, for operation and maintenance purposes. The Board levied a 2018 tax rate for debt service purposes of $0.1200 per $100 of assessed valuation and $0.0400 per $100 of assessed valuation for operation and maintenance purposes.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$0.2500 per $100 Assessed Valuation.

Historical Tax Collections

Tax Year	Certified Assessed Valuation	Tax Rate/ $100 (a)	Adjusted Levy	% of Collections Current Year	Fiscal Year Ending 9/30	% of Collections as of March 31, 2019
2014	$ 1,088,082,499	$ 0.2800	$3,046,631	99.90 %	2015	99.93 %
2015	1,286,522,697	0.2575	3,312,684	99.92	2016	99.94
2016	1,538,238,483	0.2375	3,653,268	99.91	2017	99.94
2017	1,539,747,757	0.2175	3,348,952	99.85	2018	99.88
2018 (b)	1,510,366,863	0.1600	2,416,587	99.38	2019	99.38

(a) Includes a tax for maintenance and operation. See "- Tax Rate Distribution" below.
(b) See "TAX DATA – Analysis of Tax Base."

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	$0.1200	$0.1400	$0.1250	$0.1500	$0.1600
Maintenance	0.0400	0.0775	0.1125	0.1075	0.1200
	$0.1600	$0.2175	$0.2375	$0.2575	$0.2800

Analysis of Tax Base

The following represents the type of property comprising the 2014-2018 tax rolls.

Type of Property	2018 Assessed Valuation (a)	2017 Assessed Valuation	2016 Assessed Valuation	2015 Assessed Valuation	2014 Assessed Valuation
Land	$ 233,460,061	$ 212,298,430	$ 159,352,201	$ 143,082,784	$ 142,075,320
Improvements	1,485,127,310	1,432,364,690	1,460,542,900	1,259,981,480	1,026,337,540
Personal Property	179,661,936	136,600,980	132,618,944	37,109,094	16,260,867
Exemption	(387,882,444)	(241,516,343)	(214,275,562)	(153,650,661)	(96,591,228)
Total	$1,510,366,863	$1,539,747,757	$1,538,238,483	$1,286,522,697	$1,088,082,499

(a) Exemption values increased in 2018 due to a 20% exemption granted on homesteads within the District. See "TAXING PROCEDURES – General Homestead Exemption."

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2018 tax year.

Taxpayer	Type of Property	Assessed Valuation 2018 Tax Roll
HL Multi-Family Holdings LLC	Land, Improvements & Personal Property	$ 71,000,000
Deere Credit Inc.	Land, Improvements & Personal Property	59,634,264
Three Hughes Landing LLC	Land, Improvements & Personal Property	58,999,170
Waterway Ave Partners LLC	Land, Improvements & Personal Property	48,000,000
HHC Millennium Six Pines LLC	Land, Improvements & Personal Property	44,000,000
SPUS7 Plantation LP	Land, Improvements & Personal Property	36,872,230
HH One Hughes Landing LLC	Land, Improvements & Personal Property	32,800,000
HHC Two Hughes Landing LLC	Land, Improvements & Personal Property	32,700,000
HL-Hotel Holding Company LLC	Land, Improvements & Personal Property	31,823,670
Woodlands MDA LLC	Land, Improvements & Personal Property	26,276,210
Total		$ 442,105,544
Percentage of 2018 Assessed Valuation		29.271%

Tax Rate Calculations

The tax rate calculations set forth in the following table have been computed based upon the following assumptions:

(a) 95% collection of taxes levied;
(b) issuance of the Bonds at various interest rates; and
(c) non-application of Debt Service Fund balances to debt service payments.

Average Annual Debt Service Requirements (2019-2032)	$1,395,655
Tax Rate of $0.10 on the 2018 Assessed Valuation produces	$1,434,849
Tax Rate of $0.09 on the 2019 Preliminary Valuation produces	$1,401,576
Maximum Annual Debt Service Requirements (2020)	$2,065,669
Tax Rate of $0.15 on the 2018 Assessed Valuation produces	$2,152,273
Tax Rate of $0.14 on the 2019 Preliminary Valuation produces	$2,180,230

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, when ad valorem taxes are levied by a taxing authority, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Overlapping Debt"), certain taxing jurisdictions, including the District, are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all 2018 tax rates levied by such jurisdictions on property within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other charges by entities other than political subdivisions.

Taxing Jurisdiction	2018 Tax Rate
The District	$0.160000
The Woodlands Township	0.227300
Conroe Independent School District	1.280000
Montgomery County	0.466700
Lone Star College System District	0.107800
Woodlands Road Utility District No. 1	0.200000
Montgomery County Hospital District	0.059900
2018 Total Tax Rate	$2.501700

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THE DISTRICT

General

The District is a conservation and reclamation district created pursuant to Article XVI, Section 59, Texas Constitution, by House Bill No. 2211, passed by the 69th Texas Legislature, Regular Session, 1985, Chapter 756, codified as Chapter 8292, Special District Local Laws Code, and operating pursuant to Chapters 49 and 54, Texas Water Code, as amended, and various general laws of the State applicable to municipal utility districts. The creation of the District was confirmed at an election held within the District for that purpose on January 20, 1990, by a vote of six (6) for to none (0) against. The principal functions of the District are to finance, purchase, construct, own and operate waterworks, sanitary sewer and drainage facilities and to provide such facilities and services to the customers of the District. The District may provide solid waste collection and disposal services. In addition, the District is empowered, if approved by the electorate, the TCEQ and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or with certain other districts, and to provide financial support for certain parks and recreational facilities. The TCEQ exercises continuing supervisory jurisdiction over the District.

Description

As originally created, the District contained approximately 247 acres. Subsequent exclusions and annexations have resulted in the current acreage of approximately 1,723 acres. The District is located entirely within Montgomery County, Texas and within the Conroe Independent School District and is approximately 30 miles north of the central business district of the City of Houston. The District is accessible via Interstate Highway No. 45, The Woodlands Parkway, Texas State Highway 242 and Research Forest Drive. The District is part of the 28,000-acre community known as The Woodlands and is located wholly within the exclusive extraterritorial jurisdiction of the City of Houston and the boundaries of The Woodlands Township.

District Investment Policy

The District has adopted an investment policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The policy of the District is to invest District funds only in instruments which further the following investment obligations of the District, stated in the order of importance: (1) the preservation of safety of principal; (2) liquidity; and (3) yield. The District does not own, nor does it anticipate the inclusion of, long term securities or derivative products in the District's portfolio.

Board of Directors

The District is governed by a board of five (5) directors which has control and management supervision over all affairs of the District. The members of the board of directors are elected to their offices. All five of the members of the Board own property within the boundaries of the District.

All directors serve four-year staggered terms and all elections are held in even-numbered years. The present members of the Board and their current officer positions are listed below:

Name	Position	Term Expires May
Roland Johnson	President	2022
Larry Copeland	Vice President	2020
Alan Fritsche	Secretary/Treasurer	2022
Paul Martin	Asst. Secretary/Treasurer	2022
Alton Wicker	Asst. Secretary/Treasurer	2020

Management and Contract Services

The District does not have any full-time employees; however, the District contracts for management and administrative services, tax collecting, bookkeeping, facilities repair and maintenance, legal, financial advisory, auditing and other professional services as follows:

Management and Administrative - The District has executed a contract for joint administrative and management services with Montgomery County Municipal Utility District Nos. 6, 7, 36, 39, 40, 46, 47, and 60 ("MCMUD6", "MCMUD7", "MCMUD36", "MCMUD39", "MCMUD40", "MCMUD46", "MCMUD47", and "MCMUD60", respectively), The Woodlands Metro Center Municipal Utility District ("Metro Center MUD") and The Woodlands Municipal Utility District No. 2 ("MUD2") to form The Woodlands Joint Powers Agency ("WJPA"), which has engaged the services of a full-time, experienced general manager, assistant managers and clerical staff, and maintains an office in The Woodlands. The contract provides that WJPA will furnish the District with general management services, including handling of customer inquiries, inspections of facilities, issuance of work orders, billing and accounting services, meter reading, collection of receivables, payment of bills, cash analyses and investments, collection of taxes, services in connection with meetings, hearings and elections, and other administrative services as may be agreed upon from time to time by the districts which are parties to the contract.

Facilities Repair and Maintenance - Pursuant to the contract, WJPA also provides field operations, under the supervision of the general manager, including water and sewer taps and repair and maintenance of the District's system. Additionally, as may be necessary from time to time, the District may employ various contractors.

Water Supply and Wastewater Treatment - The District, MCMUD6, MCMUD7, MCMUD36, MCMUD39, MCMUD40, MCMUD46, MCMUD47, MCMUD60, Metro Center MUD, MUD2 and Harris-Montgomery Counties Municipal Utility District No. 386 ("MUD386") have entered into long-term contracts with the San Jacinto River Authority ("SJRA") for the purchase of wholesale water supply and wastewater treatment services. See "THE SYSTEM" for additional information.

Auditing - The firm of Knox Cox & Company, L.L.P., Certified Public Accountants, prepared the annual audit for the District for the fiscal year ended September 30, 2018. See “APPENDIX A - Financial Statements of the District”.

Consulting Engineers - The District has contracted with LJA Engineering, Inc. (the “Engineer”) for engineering services in connection with the overall planning activities and design of the System. Such engineering firm also has been used by the Developer to perform street design, platting and planning services within the District. Compensation for such engineering related to the facilities to be purchased or constructed by the District is based on the time and charges actually incurred, as reflected by prevailing schedules or hourly rates and charges, on a percentage of construction costs for the project, or on a lump sum basis.

Legal Counsel - Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor - The District has employed the firm of Robert W. Baird & Co. Incorporated (“Financial Advisor”) as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Special Consultants Related to Issuance of the Bonds

Verification Agent **–** At the time of delivery of the Bonds, Public Finance Partners LLC, Certified Public Accountants, will verify to the District, Bond Counsel, Special Tax Counsel, Escrow Agent, and the Underwriter certain matters related to the issuance of the bonds and the refunding of the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

Special Tax Counsel **-** The District has employed the firm of Bracewell LLP, as Special Tax Counsel. The fees payable to Special Tax Counsel are contingent upon the issuance, sale and delivery of the Bonds.

THE DEVELOPER

Role of the Developer

In general, activities of a developer in a utility district, such as the District, include defining a marketing program and building schedule, securing necessary governmental approvals and permits, arranging for construction of roads and the installation of certain utilities (including, in some cases, water, sewer and drainage facilities pursuant to the rules of the Commission, as well as gas, telephone and electric service) and selling improved lots and commercial reserves to builders or users. In addition, a developer is ordinarily the major taxpayer within a utility district during early stages of the development.

In contrast to the type of development program described above, however, The Woodlands encompasses a significantly broader scale of development with long-term development commitments by the Developer and its affiliates. The Developer and its affiliates have invested substantial funds in predevelopment activities, community amenities and commercial properties.

The Developer

The current developer of The Woodlands, including the land within the District, is The Woodlands Land Development Company, L.P. (the "Developer"), a limited partnership whose partners are wholly owned by TWC Land Development, LLC and The Howard Hughes Corporation.

While The Howard Hughes Corporation indirectly owns the Developer, it is not responsible for the Developer's obligations. According to representatives of the Developer, it is a stand-alone, locally operated and managed company that has its own line of credit, business plan and economic model.

The Developer is under no obligation to develop its property in the District and may sell its property to another party or parties at any time. Neither the Developer nor any affiliate of the Developer has guaranteed payment of the Bonds.

CURRENT STATUS OF DEVELOPMENT IN THE DISTRICT

General

The District lies within the Village of Cochran's Crossing, the Village of Alden Bridge, and Grogan's Mill, three of the seven residential villages planned in The Woodlands, and College Park, an area with mixed residential and commercial properties. Land within the District includes the residential subdivisions of Village of Cochran's Crossing, Sections 31-33, 37-44, 46 and 50-51; Village of Alden Bridge, Sections 1-5, 15, 24, 25, 99 and 102; East Shore – Grogan's Mill, Sections 4-6, 13, 15 and 18; and College Park – Windsor Hills, Section 1-6. Current residential development is taking place in Grogan's Mill. Of the approximately 1,723 acres within the District, to date, approximately 1,233 acres have been developed as building sites with utilities and approximately 458 acres have been dedicated as streets, easements and open spaces. There is currently approximately 32 acres of undeveloped but developable land within the District. The Developer has advised the District that the development plan for The Woodlands anticipates that a portion of the residential growth and some commercial growth in the ensuing years will occur in the District. The following presents the current status of improvements in the developed portion of the District. Reference is also made to the "LOCATION MAP" for the location of various improvements within and adjacent to the District.

Status of Development

<u>Single-Family:</u>

Development to date within the District has included residential, commercial and institutional improvements. As of April 1, 2019, the single-family residential development within the District included 2,527 completed homes, 8 completed townhome projects totaling 533 units, 1 completed 86 unit condominium project, 1 completed 54 unit triplex, 1 completed 64 unit 8-plex, 1 completed duplex project totaling 138 units and no developed but unimproved lots.

Homebuilding within the District began in 1981. Homes are being marketed in the $110,000 to in excess of $2.0 million price range.

Multi-Family:

Apartment Complexes: There are six apartment complexes within the District totaling 2,045 units: Alden Landing Apartments, 292 units, Pine Creek Apartments, 240 units, Plantation Apartments, 432 units; Millennium Waterway Apartments, 393 units; Millennium Six Pines Apartments, 298 units and One Lake Edge Apartments, 390 units.

Institutional:

Churches: Four church organizations have purchased and constructed facilities on sites totaling 26 acres within the District: Faith Community Church, 9.0 acres; Christ Church United Methodist Church, 9.2 acres; Crossroads Baptist Church, 5.0 acres; and Good Shepherd Lutheran Church, 2.8 acres.

Schools: The Conroe Independent School District has constructed two elementary schools and one high school within the District: Galatas Elementary School, 10 acres; Powell Elementary School, 11 acres; and the Woodlands High School, 68 acres.

Commercial:

Hughes Landing is a mixed-used development located on a 66-acre tract within the District. The following retail and commercial improvements have been completed in Hughes Landing:

Office Buildings: One Hughes Landing (204,803 sf); Two Hughes Landing (204,803 sf); Three Hughes Landing (332,000 sf); a 13-story office building leased to Exxon (345,290 sf); and a 12-story office building that is 50% leased to Exxon and 50% multi-tenant (331,762 sf).

Retail and Restaurants: a Pier One Imports (11,000 sf); a Cadence Bank (5,500 sf); a Whole Foods grocery store (40,000 sf); a Starbucks coffee shop; an Escalante's restaurant; a California Pizza Kitchen restaurant; a Trulucks restaurant; and a Del Frisco's restaurant.

Hughes Landing also has an Embassy Suites hotel that is 172,904 sf and has 205 rooms.

Parks, Recreation and Open Spaces:

The Bear Creek soccer fields operated by The Woodlands Township are located on a 30-acre tract owned by the District.

The Alden Bridge Sports Park, approximately 40 acres, contains four lighted baseball fields, two lighted football fields, and a concession/restroom building. This park was constructed by the Developer in conjunction with a Texas Parks and Wildlife grant sponsored by the District.

A nine-hole extension of the Palmer Golf Course lies within the District.

THE WOODLANDS

THE INFORMATION CONTAINED IN THIS SECTION OF THE OFFICIAL STATEMENT HAS BEEN FURNISHED BY THE DEVELOPER AND IS, OF NECESSITY, BASED IN LARGE PART ON PLANS AND ESTIMATES. THIS SECTION INCLUDES A DISCUSSION OF THE WOODLANDS, A RESIDENTIAL, INDUSTRIAL AND COMMERCIAL DEVELOPMENT OF WHICH THE DISTRICT IS A PART. THE DISTRICT IS PRIMARILY RESIDENTIAL DEVELOPMENT AND THIS DISCUSSION IS NOT INTENDED TO BE A REPRESENTATION THAT DEVELOPMENT SIMILAR TO THAT UNDERTAKEN IN THE COMMERCIAL AND INDUSTRIAL AREAS OF THE WOODLANDS WILL BE UNDERTAKEN IN THE DISTRICT.

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. NEVERTHELESS, THE DEVELOPER HAS ADVISED THE DISTRICT THAT IT HAS THE PRESENT INTENTION TO CARRY OUT THE DEVELOPMENT OF THE WOODLANDS ACCORDING TO THE PLANS PRESENTED.

General

The Woodlands is a community being developed approximately 27–32 miles north of downtown Houston. Located within a 28,000-acre tract of densely forested land, the community is generally situated adjacent to and west of Interstate Highway 45, south of FM 1488, and north of Spring Creek, which is the boundary line between Montgomery and Harris Counties. The Trade Center is adjacent to and east of Interstate Highway 45 between Texas State Highway 242 and FM 1488.

The Woodlands is located in a market sector of the greater Houston metropolitan area containing approximately 150 residential developments. Residential developments located in the market sector offer a variety of housing ranging in price generally from $250,000 to in excess of $2 million. The majority of these subdivisions offer some recreational facilities (e.g., swimming pools and clubhouses) and a few provide golf and tennis facilities. In some cases, schools are located within the subdivisions.

Formal opening of The Woodlands occurred in October, 1974. Substantial development, as more fully described herein, has occurred in the Village of Grogan's Mill, the Village of Panther Creek, the Village of Cochran's Crossing, the Village of Indian Springs, the Village of Alden Bridge, the Village of Sterling Ridge, Village of Creekside Park and College Park, which are each one of the eight residential villages in The Woodlands; parts of the Town Center, Research Forest, College Park; and the Trade Center. These areas currently have a population of approximately 117,305 people, and 2,181 employers provide employment for approximately 67,850 people.

The Development Plan and Status of Development

- Access and Circulation -

Primary access to The Woodlands is provided by Interstate Highway 45. The Woodlands has direct access by way of five freeway intersections, Woodlands Parkway, Rayford-Sawdust Road, Lake Woodlands Drive, Research Forest Drive (Tamina Road), and College Park Drive (Texas State Highway 242). Additional access between The Woodlands and downtown Houston and the Houston Intercontinental Airport is provided by the Hardy Toll Road which is owned and operated by the Harris County Toll Road Authority. An alternate access is provided from the FM 1960 area to The Woodlands via Kuykendahl Road in the westernmost portions of The Woodlands. Texas State Highway 242, a major east-west artery, connects U.S. 59, in southeast Montgomery County, to FM 1488, north of The Woodlands.

The internal circulation system within The Woodlands, designed to enhance and preserve the community's natural surroundings, is planned to include arterials, collector and local streets; bicycle paths; and pedestrian walkways.

- Commercial, Industrial and Technology Development -

The Woodlands' master plan calls for commercial and business activities to be conducted in urban and village shopping and service centers. The centers are scattered throughout the community, with most of the commercial activity centered in the Town Center. Some of the property has been designated for industrial, technological, and research use to provide a diverse range of employment opportunities for residents of The Woodlands. Most of the industrial development planned for The Woodlands is centered in the Trade Center, a rail-served industrial park, while technology and research development is primarily located in the Research Forest, College Park and northern portions of the Town Center.

To date, approximately 35 million square feet of commercial, retail, industrial, research, technology, and institutional facilities have been constructed in The Woodlands. Significant corporate commitments include a General Growth Properties, Inc. of The Woodlands Mall, site of Nordstrom; Dillard's; J.C. Penney; Dick's Sporting Goods; Barnes & Noble; P.F. Chang's; The Cheesecake Factory; Brio Tuscan Grille; Fleming's Steakhouse; Anthropologie; Ann Taylor Loft; Williams-Sonoma; Pottery Barn; Panera Bread Bakery & Café; Macy's; Macy's Furniture Gallery; Sweet Tomatoes; Benihana Japanese Cuisine; Target; Landry's; Cinemark Tinseltown 17-screen theatre; Best Buy; Brinker International; Macaroni Grill; TGI Friday's; Bank of America; Shell; Chevron; Burger King; Compass Bank; ExxonMobil; Memorial Health Care System; St. Luke's Episcopal Health System; Drury Inn; CVS Pharmacy; Martin Brower (distribution for McDonald's Restaurants); Anadarko Petroleum; 90-room Courtyard Inn by Marriott; Chevron Phillips Chemical Company; Entergy; Houston Advanced Research Center; Hughes Christensen; Halliburton; Huntsman Chemical; La Quinta Motor Inn; Maersk Sealand; 90-room Residence Inn by Marriott; Amegy Bank; State Farm Insurance; U.S. Post Office, among others. Leasing commitments have been made by Allstate Insurance; Bank One; Barnes & Noble; Bruker Instruments; Chevron Pipeline; Cost Plus; CVS Pharmacy; Exult; Kroger; Marshall's; Merrill Lynch Pierce Fenner & Smith; Office Max; Randall's; Ross; Ulta (Beauty Store); WorldCom Network Services; and many more.

- Residential Development -

Since formal opening of The Woodlands in 1974, approximately 46,740 dwelling units have been completed, including approximately 34,190 single family detached units, approximately 3,750 townhouses and condominiums, and 22 apartment complexes and assisted living containing 8,800 apartment units. New housing prices generally range from $250,000 to in excess of $2.0 million.

Residential support services include churches, schools, a hospital, a library, and governmental services. Thirty different religious organizations have constructed churches and related facilities. There are fourteen schools providing schooling from kindergarten to the 12th grade. Additionally, there are two private schools currently providing schooling from kindergarten through 12th grade and pre-kindergarten to 9th grade. The Lone Star College System constructed a campus which opened in September, 1995. Health care is provided at Memorial Hermann–The Woodlands Hospital, a 254-bed acute care facility, St. Luke's Hospital, a 150-bed health care facility, Houston Methodist Hospital, a 187-bed healthcare facility, and Texas Children's Hospital, a facility with 24 emergency center rooms, 74 exam rooms, 4 operating rooms, 30 acute-care beds, 5 radiology rooms, and 8 intensive-care beds. There are eight fire stations and The Woodlands Fire Training Facility owned by The Woodlands Fire Department, which are located in the Villages of Indian Springs, Creekside Park, Sterling Ridge, Alden Bridge, Cochran's Crossing, Grogan's Mill, College Park and the main station located near Town Center. Montgomery County, in four separate buildings, operates a Court House Annex, a Public Library, a Community Center, and a public safety building, a branch of the Sheriff's Department. About one-third of all the land in The Woodlands is open space, including wildlife corridors, park land, lakes and recreational areas. Many parks and open spaces are available, including the 203 acre Lake Woodlands. Other recreational facilities include 117 holes of golf, a swimming, diving, tennis and gym facility, two YMCAs and the Cynthia Woods Mitchell Pavilion, an amphitheater with seating capacity of 16,090.

THE SYSTEM

General

The area covered by the District is within the 28,000 acres of The Woodlands. SJRA's plan identifies the central or regional systems whereby sanitary sewage is collected and treated within three identifiable regions and water supply is provided in five different service areas. The SJRA has entered into a long-term cooperative agreement with the District and neighboring MCMUD Nos. 6, 7, 36, 39, 46, 47, 60, Metro Center MUD, MUD 1 and adjoining MUD 386 (within Montgomery County) (collectively, the "Participants") for the planning, financing, construction, ownership, operation, and maintenance of the water supply and sanitary sewage treatment facilities serving the Participants. Under these agreements, each district, as a customer of SJRA, has made or will make or finance capital payments to SJRA proportionate to the costs of facilities construction and its ultimate service needs, and each makes payments to SJRA for operation and maintenance expenses in proportion to its volume of usage. These payments are based on estimated unit costs for such capacities and are made subject to such adjustments as may be necessary at the time when a periodic accounting for such costs can be made.

Sixth and Final Accounting

SJRA provides a periodic accounting to each customer district showing the actual and projected future unit cost of purchasing capacities in SJRA's Systems and the amounts payable to SJRA for reserved capacities in SJRA's Systems. Each customer district is then responsible for issuing the district's bonds, utilizing other district revenues or participating in a joint bond issue with other similarly situated districts to secure sufficient funds to make such payments to SJRA. In March 2017, SJRA completed a Sixth and Final Accounting updating and revising such unit costs for capacities in SJRA's Systems, and such periodic accounting report was approved by all customer districts.

Upon completion of the obligations pursuant to the Sixth and Final Accounting, the process of accounting (i.e., the collective process of financing the design, construction, and operation of additional facilities or provision of additional capacity) described in the First Interim Accounting through the Sixth and Final Accounting will be complete. If customer districts desire capacity in addition to the capacity reserved at such time, customer districts may purchase such capacity from SJRA on an individual basis.

Water System

Water is currently supplied from groundwater wells located within The Woodlands and surface water supplied by the SJRA GRP Division. The water distribution system presently planned for the development through 2019 will consist of five central water pump stations, one in each service area, together with appurtenant ground and elevated storage tanks and underground distribution piping. Based on an estimated population of 105,283 people living within The Woodlands, water demands are projected at approximately 20.43 million gallons per day ("MGD") for average daily demand or approximately 44.32 MGD for peak-day demand. The ultimate plant capacity of the water system is approximately 50 MGD. Due to concerns regarding over-pumping the aquifer, the Lone Star Groundwater Conservation District has placed restrictions on groundwater withdrawals in the area. A new surface water supply system has been constructed by the SJRA and began delivering surface water in September, 2015. Such surface water supply is in addition to the ground water supply as discussed above.

The central water supply facilities within The Woodlands presently consist of five water plants (Water Plant Nos. 1, 2, 3, 4, and 5) and six elevated storage tanks (EST Nos. 1, 2, 3, 4, 5, and 7). The central water distribution facilities originating at the five water plants consist of a looped network of mains and secondary feeders sized to supply peak day demands and emergency requirements. Water distribution within the customer districts is accomplished through a looped network of mains, secondary feeders, and neighborhood distribution lines ranging up to 12 inches in diameter.

The surface water treatment and transmission system owned and operated by the SJRA GRP Division includes (1) an intake structure with a raw water pump station, (2) a water treatment plant, (3) treated water storage and high service pump station and (4) transmission lines to deliver the treated water to the necessary GRP participants. It is currently designed to deliver 30 MGD of treated surface water to the necessary GRP participants.

The District has purchased capacity sufficient to serve 5,080 equivalent single family connections ("ESFCs").

Lone Star Groundwater Conservation District

The District is included in the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"), a Montgomery County-wide regulatory agency. LSGCD adopted a regulatory plan which required groundwater users within Montgomery County to reduce groundwater usage by thirty percent (30%) by January 1, 2016. In order to meet the requirements of the regulatory agency, the District and SJRA partially converted to surface water sources in September 2015. SJRA has created a new, separate, non-profit operating division, similar to the Woodlands Division, to implement a groundwater reduction plan and treated surface water system for substantially all of Montgomery County, including the District through their wholesale contract with SJRA Woodlands Division. The direct costs to SJRA's groundwater reduction plan division for the first phase of such conversion to surface water sources was approximately $500,000,000, and is being paid for through pumpage fees charged to the participants, including the SJRA Woodlands Division. SJRA GRP currently charges SJRA Woodlands Division a fee of $2.64 per 1,000 gallons of groundwater pumped and $2.83 per 1,000 gallons surface water delivered. The SJRA Woodlands Division currently passes through a blended surface water conversion fee rate to the District of $2.76 per 1,000 gallons.

Waste Disposal System

A central sanitary sewage treatment plant exists in each of the three regions within The Woodlands. The sanitary sewage load for development through 2018 has been recently estimated at 10.49 MGD for the three central plants. The first central wastewater treatment plant of SJRA ("WWTP1") is located adjacent to MCMUD 6 along Sawdust Road and currently has capacity of 7.8 MGD. The second wastewater treatment plant ("WWTP2") is located adjacent to and east of the District as well as west of the intersection of Gosling Road and Research Forest Drive. WWTP2 has a permitted capacity of 6.0 MGD with provisions to increase to 7.8 MGD. The third wastewater treatment plant ("WWTP3") is located in the MCMUD 39 and is operating with a permitted capacity of up to 900,000 gallons per day.

The wastewater collection system within the District consists of a network of collection lines ranging up to 15 inches in diameter. This internal network of collection lines are owned by the District. This collection system empties wastewater into major trunk sewers, a part of the SJRA central system, which transport wastewater to the treatment facilities.

The District has purchased capacity sufficient to serve 5,971 ESFCs.

Storm Water Conveyance and Flood Control Facilities

The land within the District lies within the watershed of Bear Branch and Panther Branch, tributaries of Panther Creek and Spring Creek. The elevation range of the natural ground is between 145 feet to 184 feet mean sea level ("msl"). As to the southerly tract of the District situated in the Village of Cochran's Crossing, the land is located within the Bear Branch watershed, which flows along the southern side of the District in a generally easterly direction. As to the northerly tract of the District situated in the Village of Alden Bridge, the land is located within the Panther Branch watershed, which flows along the southwestern side of the District in a generally southeasterly direction. Outfall drainage for the District is provided by major swales which internal drainage consists of a combination of roadside ditches, storm sewers, drains and culverts. According to the Engineer, approximately 336 acres of the District lie within the 100-year flood plain. The land within the 100-year flood plain will be part of the town-wide open space system of The Woodlands serving a dual purpose of natural drainage channelization and recreational trails.

In order to control storm water runoff caused by urban development in The Woodlands, the Developer has constructed the Bear Branch Reservoir and an associated conveyance channel, detention and flood control system. The system is designed in accordance with a master plan for storm water conveyance and detention and flood control facilities for the 28,000 acres of The Woodlands, which is contained in a report entitled "Master Drainage Report for The Woodlands, Texas," prepared by Farner & Winslow, Inc., dated March, 1979. Storm water from The Woodlands flows into Panther Creek and Spring Creek (subbasins of the West fork of the San Jacinto River) and directly into the West fork of the San Jacinto River. Due to storm water flow characteristics of these basins, no detention is required for the Spring Creek drainage area; some minor detention may be required for the West Fork area; and all of the storm water run-off increment generated by urbanization on approximate 6,500 acres in the upper reaches of Panther Creek drainage area will require storm water detention. The total cost to date of the conveyance and detention and flood control system, including land, major maintenance and rehabilitation is approximately $3,650,000 with an estimated cost of $330 per single family unit. The San Jacinto River Authority acquired the reservoir/channel system for ownership, operation and maintenance and is providing storm water detention services to districts within the area for which the system is required. SJRA has entered into agreements for such services and will make charges to customer districts for capacity rights and maintenance costs. The District has entered into such an agreement with SJRA for the purchase of detention capacity. From the proceeds of its previous bond issues and surplus funds on hand, the District has purchased storm water detention capacity in Bear Branch Reservoir sufficient to serve 2,574 single-family units. The balance of the District does not drain into the Bear Branch watershed.

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Historical Operations of the System

The following is a summary of the District's Operating Funds for the last 5 years. The figures for the fiscal years ending September 30, 2015, through September 30, 2018, were obtained from the District's annual financial reports, reference to which is hereby made. The figures for the period ending February 28, 2019, are unaudited and were prepared by the District's bookkeeper. The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Period Ended 03/31/19 (a)	Fiscal Year Ended September 30			
		2018	2017	2016	2015
REVENUES:					
Water and Sewer Service	$ 1,462,116	$ 4,068,686	$ 3,970,610	$ 3,633,738	$ 2,893,768
Property Taxes	601,155	1,193,213	1,728,389	1,383,968	1,302,809
Tap connections & culverts	39,270	49,950	68,425	7,500	60,200
Interest and other	53,167	125,970	25,288	7,993	57,688
TOTAL REVENUES	$ 2,155,708	$ 5,437,819	$ 5,792,712	$ 5,033,199	$ 4,314,465
EXPENDITURES:					
Current	$ 1,656,774	$ 4,131,170	$ 4,020,814	$ 3,730,315	$ 3,099,420
Capital Outlay	-	67,025	57,950	16,000	52,175
Debt Service	176,273	569,783	570,746	653,660	756,865
TOTAL EXPENDITURES	$ 1,833,047	$ 4,767,978	$ 4,649,510	$ 4,399,975	$ 3,908,460
Excess (Deficiency) of Revenues Over Expenditures	$ 322,661	$ 669,841	$ 1,143,202	$ 633,224	$ 406,005

(a) Unaudited, as of March 31, 2019.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations solely of the District and not of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; The Woodlands Township; or any political subdivision or agency other than the District, are secured by the levy of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source and Security for Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners, or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies" below and "THE BONDS – Source and Security for Payment" and "– Remedies in Event of Default."

Factors Affecting Taxable Values and Tax Payments

Location and Access: The District is located approximately 30 miles north of the City of Houston's central business district and is part of the 28,000-acre, master-planned community known as The Woodlands. See "THE DEVELOPER" and "CURRENT STATUS OF DEVELOPMENT IN THE DISTRICT."

Principal Taxpayers' Obligations to the District: The ability of the any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. There is no commitment by or legal requirement of any principal landowner within the District to proceed at any particular rate or according to any specified plan with the development of land in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future commercial construction activity in the District. See "DEVELOPMENT WITHIN THE DISTRICT" and "TAX DATA – Principal Taxpayers."

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the District's tax rate. The 2018 Assessed Valuation of property within the District (see "SELECTED FINANCIAL INFORMATION") is $1,510,366,863 and the 2019 Preliminary Valuation of property within the District is $1,639,270,678. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and Remaining Outstanding Bonds will be $2,065,669 (2020) and the average annual debt service requirement on the Bonds and Remaining Outstanding Bonds will be $1,395,655 (2019 through 2032, inclusive). Assuming no increase or decrease from the 2018 Assessed Valuation, a tax rate of $0.15 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $2,065,669, and a tax rate of $0.10 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirements of $1,395,655. Assuming no increase or decrease from the 2019 Preliminary Valuation, a tax rate of $0.14 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $2,065,669, and a tax rate of $0.09 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirements of $1,395,655 (see "DISTRICT DEBT – Pro-Forma Debt Service Requirements").

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

Recent Extreme Weather: Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area, including the District, has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent 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 estimates by the District's Engineer, approximately nine homes within the District experienced minor flooding or other minor damage as a result of Hurricane Harvey.

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

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

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.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by difficulties in collecting 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 judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the property.

The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. Section 1825, as amended. 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. See "TAXING PROCEDURES."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek 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 defaults 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 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 be further 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 and creditors of political subdivisions, such as the District.

Future Debt

Following the issuance of the Bonds, $3,243,569.53 principal amount of unlimited tax refunding bonds and $6,550,000 principal amount of waterworks and sewer system unlimited tax bonds will remain authorized but unissued.

The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including revenue notes, tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuations, tax collections or other factors to limit the amount of parity bonds which it may issue.

Marketability of the Bonds

The District has no understanding with the Underwriter 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 may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

Notwithstanding noncompliance by the 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 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 proceeds 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 Owners' claim.

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

The District may not be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Environmental Regulations

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

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

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

Air Quality 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—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb") and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

The HGB area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, EPA approved the TCEQ's "redesignation substitute" for the HGB area under the revoked 1997 Ozone Standards, leaving the HGB area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA,* 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB area under the 1997 Ozone Standard. The court has not responded to EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court's ruling, the TCEQ has developed a formal request that the HGB area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard. For purposes of the 2015 Ozone Standard, the HGB area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB area 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. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB area to reach attainment with the ozone standards 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) wastewater 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), with an effective date of March 5, 2018, which 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 more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District is in the process of preparing its Notice of Intent and Stormwater Management Plan to apply for coverage under the MS4 Permit by the July 23, 2019 deadline. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Costs associated with these compliance activities could be substantial in the future.

In 2015, the EPA and the United States Army Corps of Engineers ("USACE") promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of "waters of the United States." In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of "waters of the United States" to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of "waters of the United States." Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of "waters of the United States." The proposed definition outlines six categories of waters that would be considered "waters of the United States," including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not "waters of the United States," such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies will take comment on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including permitting requirements.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy ") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any.

The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

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

2019 Legislative Session

The 86th Regular Legislative Session convened on January 8, 2019, and will conclude on May 27, 2019. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. The Governor of Texas has declared property tax reform as an emergency item for the legislative session. In addition, the Governor may call one or more additional special sessions that may include legislation affecting property taxes. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

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.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain proceedings incident to the issuance and authorization 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 limit as to rate or amount, upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P ., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are (i) valid and binding obligations of the District under the Constitution and general laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Bondholders may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District; and (ii) payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against taxable property with the District. Bracewell LLP, Austin, Texas, Special Tax Counsel, will also render an opinion to the effect that, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes; and (ii) the Bonds are not "private activity bonds" under the Code and, as such, interest on the Bonds will not be subject to the alternative minimum tax. Bond Counsel will not be responsible in any manner for matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Bonds or the proceedings relating to the Bonds. Bond

Counsel will be solely responsible for its opinion and Special Tax Counsel will be solely responsible for its opinion. Bond Counsel's and Special Tax Counsel's fees for services rendered with response to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

Certain legal matters will also be passed upon for the Underwriter by McCall, Parkhurst & Horton LLP.

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "PLAN OF FINANCING – Escrow Agreement" and "Defeasance of the Refunded Bonds" (but only insofar as such section relates to the legal opinion of Bond Counsel), "THE DISTRICT – "General" and "Management and Contract Services – Legal Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS" (but only insofar as such section relates to the legal opinion of Bond Counsel) and Special Tax Counsel has reviewed the information appearing under "LEGAL MATTERS" (but only insofar as such section relates to the legal opinion of Special Tax Counsel) and "TAX MATTERS" herein solely to determine whether such information fairly summarizes the procedures and documents referred to therein and is in accordance with applicable state law with regard to the sale of the Bonds and federal tax law, as applicable. Bond Counsel and Special Tax Counsel have not independently verified factual information contained in this Official Statement, and such firms have not 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 such firm'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 other information contained herein.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Bracewell LLP, Special Tax Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not "private activity bonds" under the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Order that it will comply with these requirements.

Special Tax Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Special Tax Counsel has not independently verified. Special Tax Counsel will further rely on the report (the "Report") of Public Finance Partners LLC, certified public accountants, regarding the mathematical accuracy of certain computations. If the District fails to comply with the covenants in the Bond Order or if the foregoing representations or the Report are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Special Tax Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Order upon the advice or with the approving opinion of Special Tax Counsel. Special Tax Counsel will express no opinion with respect to Special Tax Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

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

Purchase of Tax-Exempt Obligations by Financial Institutions

Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of any deduction by a financial institution of its pro rata interest expense to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) also provides an exception for financial institutions for tax-exempt obligations that are properly designated or deemed designated by an issuer as "qualified tax-exempt obligations."

The Bonds are designated as "qualified tax-exempt obligations" based, in part, on the District's representation that the amount of the Bonds, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than "qualified 501(c)(3) bonds" or any obligations issued to currently refund any obligation to the extent the amount of the refunding obligation did not exceed the outstanding amount of the refunded obligation) issued or reasonably anticipated to be issued by or on behalf of the District during 2019, is not expected to exceed $10,000,000. Further, the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during 2019.

Notwithstanding the designation of the Bonds as "qualified tax-exempt obligations" under this exception, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all or a portion of the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

The issue price of all or a portion of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner 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 period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "– Collateral Tax Consequences" and "– Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the District nor Special Tax Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues 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 (i) 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 the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that 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 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.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

NO MATERIAL ADVERSE CHANGE

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

NO LITIGATION CERTIFICATE

With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Under the covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified material events, to the Municipal Securities Rulemaking Board (“MSRB”), through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain financial information and operating data annually. The financial information and operating data which will be provided is found in the section titled “SELECTED FINANCIAL INFORMATION” and in “APPENDIX A – Audited Financial Statements.” The District will update and provide this information to the MSRB or any successor to its functions as a repository through its EMMA system within six months after the end of each of its fiscal years 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 updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

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 material 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 a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access 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 certain 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 registered owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

"Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the past 5 years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the District relating to (a) computation of the adequacy of the amounts and certain available funds (if any) to pay, when due, the principal or redemption price of and interest on the Refunded Bonds, (b) the computation of the yields on the Bonds, and (c) the computation related to certain requirements of City of Houston Ordinance No. 97-416 was verified by Public Finance Partners LLC. The computations were independently verified by Public Finance Partners LLC, based upon certain assumptions and information supplied by the Financial Advisor on behalf of the District, and the District. Public Finance Partners LLC has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

GENERAL CONSIDERATIONS

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the District and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the District. Summaries of certain laws, resolutions and other related documents are included herein subject to the detailed 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.

The information contained in this Official Statement relating to development and engineering generally and, in particular, the development and engineering information included in the sections captioned, "THE WOODLANDS" and "THE DISTRICT" has been provided by the Developer and has been included herein in reliance upon the authority of said firm. Portions of information provided in this Official Statement under the section captioned "THE SYSTEM" has been provided by San Jacinto River Authority.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Montgomery Central Appraisal District. The District has included certain information herein in reliance upon their authority as an expert in the field of tax assessing and real property appraisal.

The information contained in this Official Statement in the section entitled "APPENDIX A - Financial Statements of the District" has been provided by Knox Cox & Company, L.L.P. Certified Public Accountants, and has been included herein in reliance upon such firm's expertise in the fields of auditing and accounting. No person is entitled to rely upon the limited participation of such firm 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 other information contained herein.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board of Directors of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data, contained in this Official Statement, of or pertaining to entities other than the District, such statements and data have been obtained from sources which the District believes to be reliable, and the District has no reason to believe that they are untrue in any material respect.

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 Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; 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 Underwriter, unless the Underwriter 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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

This Official Statement was duly authorized and approved by the Board of Directors of Montgomery County Municipal Utility District No. 67, of Montgomery County, Texas, as of the date specified on the first page hereof.

/s/ Roland Johnson
President, Board of Directors
Montgomery County Municipal Utility District No. 67, of Montgomery County, Texas

ATTEST:

/s/ Alan Fritsche
Secretary, Board of Directors
Montgomery County Municipal Utility District No. 67, of
Montgomery County, Texas

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APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

Montgomery County
Municipal Utility District No. 67

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2018

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C O N T E N T S

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KC Knox Cox & Company, L.L.P.

Certified Public Accountants

77 Sugar Creek Center Blvd., Suite 215 | Sugar Land, Texas 77478
main: 346-772-2860 | fax: 346-772-2853

Independent Auditors' Report

Board of Directors
Montgomery County Municipal Utility District No. 67
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. 67 (the "District") as of and for the year ended September 30, 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 67 as of September 30, 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 budgetary comparison information on pages 3 through 8 and 34, respectively, 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 Texas Supplementary Information (TSI) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Knapp Cox & Co. LLP

Sugar Land, Texas
December 15, 2018

Management's Discussion and Analysis

As management of Montgomery County Municipal Utility District No. 67 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $15,567,073 (net position).
- As of September 30, 2018, the District's governmental funds reported an ending fund balance of $10,227,092.
- The District's cash balance at September 30, 2018 was $10,262,937, representing an increase of $5,566,488 from September 30, 2017.
- The District had revenues of $7,689,004 and a change in net position of $1,560,931 for the year ended September 30, 2018.
- At the end of the fiscal year, unrestricted and unassigned fund balance for the General Fund was $4,407,511, or 92 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two 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 is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 10-13 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District consist solely of governmental funds (the General Fund, Debt Service Fund and Capital Projects Fund).

Governmental Funds - Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and g*overnmental activities*. The basic governmental fund financial statements can be found on pages 10-13 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 32 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund budget. Required supplementary information can be found on page 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $15,567,073 as of September 30, 2018.

The largest portion of the District's net position reflects its net investment in capital assets. The District uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the District's net position represents unrestricted financial resources available for future operations.

SUMMARY OF STATEMENT OF NET POSITION
As of September 30, 2018 and 2017

	Governmental Activities	
	2018	**2017**
Current and other assets	$ 10,813,544	$ 5,325,692
Capital assets, net	31,409,549	30,028,476
Total Assets	42,223,093	35,354,168
Long-term liabilities	26,093,913	20,734,858
Other liabilities	562,107	613,168
Total Liabilities	26,656,020	21,348,026
Net Position:		
Net investment in capital assets	9,027,446	9,330,878
Restricted	1,136,004	812,602
Unrestricted	5,403,623	3,862,662
Total Net Position	$ 15,567,073	$ 14,006,142

Net position of the District, all of which relate to governmental activities, increased by $1,560,931. Key elements of the changes are as follows:

CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2018 and 2017

	Governmental Activities	
	2018	**2017**
Revenues		
Water and sewer charges	$ 4,068,686	$ 3,970,610
Property taxes, penalties and interest	3,355,093	3,662,887
Tap connection fees	49,950	68,425
Investment income and other	215,275	37,143
Total Revenues	7,689,004	7,739,065
Expenses		
Purchased water and sewer	3,471,340	3,383,580
Professional fees, contracted services and other	1,104,616	734,636
Interest on long-term debt	855,099	749,976
Depreciation and amortization	697,018	623,040
Total Expenses	6,128,073	5,491,232
Change in Net Position	1,560,931	2,247,833
Net Position, beginning	14,006,142	11,758,309
Net Position, Ending	$ 15,567,073	$ 14,006,142

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental funds are discussed below:

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of September 30, 2018, the District's governmental funds, which consist of a general fund, debt service fund and capital projects fund reported an ending fund balance of $10,227,092, which is an increase of $5,537,794 from last year's total of $4,689,298. As a measure of the general fund's liquidity, it may be useful to compare unrestricted and unassigned fund balance to total fund expenditures. Unrestricted and unassigned fund balance represents 92 percent of total general fund expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets as of September 30, 2018 amounts to $31,409,549 (net of accumulated depreciation). This investment in capital assets includes land, capacity rights and infrastructure.

CAPITAL ASSETS SCHEDULE
(net of depreciation)

Land	$ 200,000
Capacity rights	19,459,165
Water system	5,766,478
Wastewater system	6,900,154
Drainage system	9,847,185
Engineering	1,987,463
Less: accumulated depreciation	(12,750,896)
Total Capital Assets, Net	$ 31,409,549

Additional information on the District's capital assets can be found in Note 7 in the notes to financial statements.

LONG-TERM DEBT

As of September 30, 2018, the District has a total bonded debt outstanding of $16,575,000. Interest expense for the year totaled $605,567 for the 2018 fiscal year on this bonded debt. These outstanding bonds have maturities ranging from 2019 to 2032. Additional information on the District's long-term debt can be found in Note 8 in the notes to the financial statements.

ECONOMIC FACTORS

- Unrestricted and unassigned fund balance in the General Fund increased by $669,841 to $4,407,511. A planned increase of fund balance of $579,363 was projected.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Montgomery County Municipal Utility District No. 67's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Montgomery County Municipal Utility District No. 67: The Woodlands Joint Powers Agency, P.O. Box 7580, The Woodlands, Texas 77380.

FINANCIAL STATEMENTS

Montgomery County Municipal Utility District No. 67

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2018

	General	Debt Service	Capital Projects	Total
Assets				
Cash and temporary investments	$ 4,570,956	$ 1,145,375	$ 4,546,606	$ 10,262,937
Cash with fiscal agent				
Receivables:				
Property taxes	7,624	16,721		24,345
Customer service accounts	372,570			372,570
Internal receivables	113			113
Investment in joint venture	153,692			153,692
Capital assets, net of accumulated depreciation:				
Land and capacity rights				
Infrastructure				
Total Assets	$ 5,104,955	$ 1,162,096	$ 4,546,606	$ 10,813,657
Liabilities, Deferred Inflows and Fund Balances/Net Position				
Liabilities				
Accounts payable and accrued liabilities	$ 417,878	$ 25,979	$	$ 443,857
Customer deposits	118,250			118,250
Internal payables		113		113
Accrued interest payable				
Long-term liabilities:				
San Jacinto River Authority				
Unamortized bond premium or (discount)				
Due within one year				
Due after one year				
Total Liabilities	536,128	26,092		562,220
Deferred Inflows of Resources				
Unavailable revenue - property taxes	7,624	16,721		24,345
Fund Balances/Net Position				
Fund Balances:				
Nonspendable investment in joint venture	153,692			153,692
Restricted for debt service		1,119,283		1,119,283
Restricted for capital projects			4,546,606	4,546,606
Unrestricted and unassigned	4,407,511			4,407,511
Total Fund Balances	4,561,203	1,119,283	4,546,606	10,227,092
Total Liabilities and Fund Balances	$ 5,104,955	$ 1,162,096	$ 4,546,606	$ 10,813,657
Net Position:				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See Notes to Financial Statements.

Exhibit B(1)

Adjustments (Note 2)	Statement of Net Position
$	$ 10,262,937
	24,345
	372,570
(113)	
	153,692
19,659,165	19,659,165
11,750,384	11,750,384
31,409,436	$ 42,223,093
$	$ 443,857
	118,250
(113)	
48,411	48,411
3,663,399	3,663,399
538,347	538,347
1,609,361	1,609,361
20,234,395	20,234,395
26,093,800	26,656,020
(24,345)	
(153,692)	
(1,119,283)	
(4,546,606)	
(4,407,511)	
(10,227,092)	
9,027,446	9,027,446
1,136,004	1,136,004
5,403,623	5,403,623
$ 15,567,073	$ 15,567,073

Montgomery County Municipal Utility District No. 67

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

Year Ended September 30, 2018

	General	Debt Service	Capital Projects	Total
Revenues				
Water service charges	$ 2,796,230	$	$	$ 2,796,230
Sewer service charges	1,272,456			1,272,456
Property taxes	1,193,213	2,154,652		3,347,865
Penalties and interest		6,109		6,109
Tap connection fees	49,950			49,950
Investment earnings	67,221	34,297	55,008	156,526
Other	58,749			58,749
Total Revenues	5,437,819	2,195,058	55,008	7,687,885
Expenditures/Expenses				
Current:				
Purchased water and sewer service	3,471,340			3,471,340
Purchased services from joint venture	524,293	28,658		552,951
Professional fees	33,733			33,733
Other	101,804	29,666	802	132,272
Capital Outlay	67,025		2,142,712	2,209,737
Debt Service:				
Principal retirement	320,251	1,220,000		1,540,251
Interest and fiscal charges	249,532	594,416		843,948
Issuance costs			317,664	317,664
Depreciation and amortization				
Total Expenditures/Expenses	4,767,978	1,872,740	2,461,178	9,101,896
Excess (Deficiency) of Revenues Over (Under) Expenditures	669,841	322,318	(2,406,170)	(1,414,011)
Other Financing Sources (Uses)				
Proceeds from the sale of bonds			7,015,000	7,015,000
Bond Discount			(62,224)	(62,224)
Equity in net income (loss) of joint venture	(971)			(971)
Total Other Financing Sources (Uses)	(971)		6,952,776	6,951,805
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	668,870	322,318	4,546,606	5,537,794
Change in Net Position				
Fund Balances/Net Position - Beginning	3,892,333	796,965		4,689,298
Fund Balances/Net Position - Ending	$ 4,561,203	$ 1,119,283	$ 4,546,606	$ 10,227,092

See Notes to Financial Statements.

Exhibit B(2)

Adjustments (Note 2)	Statement of Activities
$	$ 2,796,230
	1,272,456
1,119	3,348,984
	6,109
	49,950
	156,526
	58,749
1,119	7,689,004
	3,471,340
67,996	620,947
	33,733
	132,272
(2,209,737)	
(1,540,251)	
11,151	855,099
	317,664
697,018	697,018
(2,973,823)	6,128,073
2,974,942	
(7,015,000)	
62,224	
971	
(6,951,805)	
(5,537,794)	
1,560,931	1,560,931
9,316,844	14,006,142
$ 5,339,981	$ 15,567,073

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform with generally accepted accounting principles. The following is a summary of the most significant policies:

A. Reporting Entity

Montgomery County Municipal Utility District No. 67 (the "District") was created by House Bill 2211 of the 69th Legislature, State of Texas, Chapter 756, as a conservation and reclamation district under Article 16, Section 59 of the Constitution of Texas. The bill was signed by the Governor of Texas on June 14, 1985. The District operates under the terms and provisions of Chapters 49 and 54 of the Texas Water Code. The first bonds were sold on December 16, 1993.

The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees or related payroll costs. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water.

The District is a political subdivision of the State of Texas governed by an elected five member board and is considered a primary government. As required by accounting principles generally accepted in the United States of America, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations, or functions have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered if determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Although not considered significant in the District's reporting entity evaluation, other prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District participates in a joint venture with other area municipal utility districts as more fully described in Note 9 of these financial statements.

The District's primary activities include construction, maintenance, and operation of water and sewer system facilities and debt service on bonds issued to construct the facilities.

As noted above, the District participates in a joint venture with other area municipal utility districts (collectively the "Participating Districts"). As provided in interlocal contracts by and among the Participating Districts, an independently governed agency known as The Woodlands Joint Powers Agency (the "Agency") provides administrative services and utility system maintenance and operating services for the Participating Districts. The Agency is governed by a Board of Trustees made up of members appointed by the governing Boards of the Participating Districts. The District records and accounts for its interest in the Agency in its General Fund by the equity method, as do all of the Participating Districts, with a portion of General Fund equity reserved in the amount of the District's equity interest. See Note 9 for additional disclosures regarding the Agency's operations.

B. Financial Statement Presentation

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis that private sector companies provide in their annual reports.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current or soon thereafter, as is the case with the modified accrual basis of accounting. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net position and report related depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government are broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Fund Financial Statements - These statements focus on the District's major funds and are prepared using the modified accrual basis of accounting.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units, as applicable. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District had no business-type activities or component units as of and for the year ended September 30, 2018.

The governmental funds financial statements consist of the balance sheet and statement of revenues, expenditures and changes in fund balance. These financial statements have been adjusted to arrive at the government-wide financial statement balances (statement of net position and statement of activities). Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Revenues accrued include interest earned on investments and income from District operations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable:
To indicate fund balance associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted:
To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed:
To indicate fund balance that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority).

Assigned:
To indicate fund balance to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned:
To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District does not currently have any such policies.

The accounting system is organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund equity or deficit, revenues and expenditures.

The District reports the following governmental funds:

General Fund
The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to water and sewer service operations. Expenditures include all costs associated with the daily operations of the District.

Debt Service Fund
The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes pursuant to requirements of the District's bond resolutions. Expenditures include costs incurred in assessing and collecting these taxes.

Capital Projects Fund
The Capital Projects Fund is used to account for the expenditure of bond proceeds for the construction of the District's water and sewer facilities.

E. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of unearned tax revenues.

F. Budget

An unappropriated budget is adopted for the General Fund. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

G. Short-Term Internal Receivables/Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as internal receivables and payables on the combined balance sheet. These amounts are eliminated for government-wide presentation.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Land	N/A
Capacity rights	N/A
Water system	30 years
Wastewater system	30 years
Drainage system	30-50 years
Engineering	30 years

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums or discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums or discounts, as well as bond issuance costs, during the current period. The face amount of new debt issued is reported as other financing sources. Premiums are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Estimates

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

K. Date of Management's Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 15, 2018, the date that the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes an adjustments column to arrive at the government-wide statement of net position balances. Amounts reported in the statement of net position are different because:

Total fund balances - governmental funds	$ 10,227,092
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	31,409,549
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	24,345
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	(26,093,913)
Net Position of Governmental Activities	$ 15,567,073

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes an adjustments column to arrive at changes in net position as reported in the government-wide statement of activities. Amounts reported in the statement of activities are different because:

Net change in fund balances - total governmental funds	$ 5,537,794
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation and amortization in the current period.	1,445,694
Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	(5,423,676)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,119
Change in Net Position of Governmental Activities	$ 1,560,931

NOTE 3 - CASH AND TEMPORARY INVESTMENTS

Cash consists of checking accounts and temporary investments consist of interest bearing Texpool, Texstar and one certificate of deposit.

The carrying amounts for cash and temporary investment balances, which approximate fair values, by fund at September 30, 2018, are as follows:

	Checking	Texpool	Texstar	Total
General	$ 52,109	$ 957,211	$ 3,561,636	$ 4,570,956
Debt Service	3,947	349,803	791,625	1,145,375
Capital Projects	23,019	4,523,587		4,546,606
	$ 79,075	$ 5,830,601	$ 4,353,261	$ 10,262,937

Investment Policies

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investments of the District are in compliance with its investment policy.

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds. Balances in checking accounts, money market accounts and certificates of deposit in depository institutions were entirely guaranteed by federal depository insurance or security as provided by statutes and bond provisions at September 30, 2018.

Investment Pools

The District invests in the Texas Local Government Investment Pool (TexPool). The State Comptroller of Public Accounts (the “Comptroller”) administers TexPool as a public funds investment pool through the Texas Treasury Safekeeping Trust Company (The “Trust Company”). The Comptroller is the sole officer, director, and shareholder of the Trust Company and thus maintains oversight responsibility of TexPool. TexPool uses amortized cost to value portfolio assets.

The District also participates in the Texas Short Term Asset Reserve Program (“TexStar”). TexStar is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. J.P. Morgan Investment Management and Hilltop Securities Inc. serve as co-administrators for TexStar. TexStar maintains a stable net asset value (NAV) of 1$ per share using the fair value method.

NOTES TO FINANCIAL STATEMENTS

The District participates in Texas Cooperative Liquid Assets Security System ("Texas CLASS"). Texas CLASS is administered by Public Trust Advisors, LLC with Wells Fargo Bank Texas, N.A., as the custodian and is supervised by a Board of trustees who are elected by the participants.

The District's investment pools (Texpool, Texstar and Texas CLASS) are all in compliance with GASB 79. Texstar has elected to measure its investments at fair value. TexPool and Texas CLASS report assets at amortized cost. The District/Agency has mirrored these valuations. There are no limitations or restriction on withdrawals of either pool.

Texpool, Texstar and Texas CLASS are exempt from level of fair value disclosure because they are valued either at NAV or amortized costs.

Interest Rate Risk
In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years to meet cash requirements for ongoing operation.

Credit Risk – Investments
In accordance with its investment policy, the District minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities. As the District's investments are in investment pools, the District is not exposed to custodial credit risk. The certificates of deposit are covered by FDIC insurance and pledged collateral.

NOTE 4 - PROPERTY TAXES

The voters of the District have authorized the District's Board of Directors to levy maintenance taxes annually for use in financing general operations limited to $0.25 per $100 of assessed value. The District's bond resolution requires that ad valorem taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied for debt service requirements are without limitation as to rate or amount.

All property values are determined by the Montgomery County Appraisal District. A tax lien attaches to all properties within the District on January 1st of each year. Taxes are generally levied on October 1 and are due upon receipt of the tax bill by the property owner. Penalties and interest are charged if taxes are not paid by the succeeding January 31st. There is an additional twenty percent penalty charged on accounts delinquent after July 1st of each year which generally is payable to the District's delinquent tax attorney.

Property taxes are prorated between operations and debt service based on the respective rates adopted for the year of the levy. For the current year, the District levied a combined rate of $0.2175 per $100 of assessed valuation of which $0.0775 was allocated to maintenance and operations and $0.14 was allocated to debt service. The resulting tax levy was $3,349,560 on the adjusted taxable valuation of $1,540,027,733 for the 2017 tax year.

NOTES TO FINANCIAL STATEMENTS

The District provides property tax abatements to encourage economic development activity within the District. Tax abatement agreements are authorized by general laws of the State of Texas and by resolutions adopted by the Board of Directors of the District. The District's tax agreements expire at various dates through 2023. For the 2017 tax year, the District's tax abatement agreements resulted in the abatement of approximately $254,000.

Property taxes receivable at September 30, 2018, consisted of the following:

	General Fund	Debt Service Fund	Total
2017 Levy	$ 1,502	$ 2,713	$ 4,215
2016 Levy	1,104	1,226	2,330
2015 Levy	900	1,255	2,155
2014 Levy	922	1,230	2,152
2013 and prior	3,196	10,297	13,493
	$ 7,624	$ 16,721	$ 24,345

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major funds are as follows:

	General	Debt Service	Total
Receivables:			
Taxes	$ 7,624	$ 16,721	$ 24,345
Accounts	372,570		372,570
Total Receivables	$ 380,194	$ 16,721	$ 396,915

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable - general fund	$ 7,624	$
Delinquent property taxes receivable - debt service fund	16,721	
Total Unavailable Revenue for Governmental Funds	$ 24,345	$

Montgomery County Municipal Utility District No. 67

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – UNAMORTIZED BOND PREMIUM OR (DISCOUNT)

A summary of changes in unamortized bond premium or (discount) follows:

	Original Bond Premium (Discount)	Balance at Oct. 1, 2017	Current Year Amortization	Balance at Sept 30, 2018
Unlimited Tax Bonds:				
Series 2005 Refunding	$ 18,602	$ 6,511	$ 930	$ 5,581
Series 2011 Refunding	435,554	217,777	31,111	186,666
Series 2011	(40,300)	(25,453)	(2,121)	(23,332)
Series 2012 Refunding	196,349	105,725	15,104	90,621
Series 2017	(62,224)		(4,445)	(57,779)
SJRA Refunding	432,758	360,632	24,042	336,590
Total	$ 980,739	$ 665,192	$ 64,621	$ 538,347

NOTE 7 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2018, follows:

	Balance Oct 1, 2017	Increases	(Decreases)	Balance Sept 30, 2018
Governmental Activities:				
Non-depreciable Assets:				
Land	$ 200,000	$	$	$ 200,000
Capacity rights	18,655,285			18,655,285
Capacity rights storm water detention	803,880			803,880
Total Non-depreciable Assets	19,659,165			19,659,165
Depreciable Assets:				
Water system	5,250,313	516,165		5,766,478
Wastewater system	6,267,091	633,063		6,900,154
Drainage system	9,091,997	755,188		9,847,185
Engineering	1,749,167	238,296		1,987,463
Total Depreciable Assets	22,358,568	2,142,712		24,501,280
Less Accumulated Depreciation	(11,989,257)	(761,639)		(12,750,896)
Totals	$ 30,028,476	$ 1,381,073	$	$ 31,409,549

Depreciation expense for the year ended September 30, 2018, totaled $761,639.

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of bonds payable. Payments of principal and interest on the bonds are to be provided from tax levies on properties within the District. Investment income realized by the Debt Service Fund from investment of funds will be used to pay outstanding bond principal and interest.

The following is a summary of changes in bonds payable for the year ended September 30, 2018:

Bonds payable, October 1, 2017	$ 10,780,000
Bonds sold	7,015,000
Bonds retired	(1,220,000)
Bonds payable, Sept. 30, 2018	$ 16,575,000

Bonds payable at September 30, 2018, are comprised of the following individual issues:

	Amounts Outstanding	Interest Rate	Date Serially Begin/End	Maturity Interest Dates	Callable Date
2005 R	$ 850,000	3.5 – 4.3%	Sept. 1, 2011/2024	March 1/ Sept. 1	Sept. 1, 2014*
2010 R	$1,115,000	3.0 – 4.5%	Sept. 1, 2011/2022	March 1/ Sept. 1	Sept. 1, 2017*
2011 R	$3,675,000	4.5 – 5.0%	Sept. 1, 2017/2024	March 1/ Sept. 1	Sept. 1, 2021*
2011	$1,385,000	2.0 – 4.25%	Sept. 1, 2012/2029	March 1/ Sept. 1	Sept. 1, 2021*
2012 R	$2,535,000	2.0 – 3.5%	Sept. 1, 2012/2024	March 1/ Sept. 1	Sept. 1, 2020*
2017	$7,015,000	2.15 – 3.0%	Sept. 1, 2025/2032	March 1/ Sept. 1	

* Or any interest payment date thereafter in accordance with redemption provisions of the bond resolution.

As of September 30, 2018, the debt service requirements on bonds outstanding for the next five fiscal years and thereafter through 2029 are as follow:

Year	Principal	Interest	Total
2019	$ 1,280,000	$ 580,929	$ 1,860,929
2020	1,520,000	525,691	2,045,691
2021	1,405,000	475,767	1,880,767
2022	1,460,000	417,010	1,877,010
2023	1,525,000	356,398	1,881,398
2024-2028	5,200,000	1,039,925	6,239,925
2029-2032	4,185,000	318,905	4,503,905
	$ 16,575,000	$ 3,714,625	$ 20,289,625

At September 30, 2018, the District had voted and unissued tax bonds in the amount of $6,550,000.

The Debt Service Fund has $1,119,283 available to service the above bonds.

The District is in compliance with all significant bond requirements and restrictions contained in the bond resolutions.

NOTE 9 – JOINT VENTURE – THE WOODLANDS JOINT POWERS AGENCY

The District has entered into interlocal contracts with other area municipal utility districts (collectively the "Participating Districts") to create the Woodlands Joint Powers Agency (the "Agency"). The contracts provide for the Agency to purchase certain equipment and supplies, to install taps and connections to the Participating District's water and sewer systems, to perform required repair and maintenance work on these systems and to provide certain administrative services for the Participating Districts.

Each Board of the Participating Districts appoints one of its members to the Agency's Board of Trustees annually. The Agency's Board of Trustees controls the operations of the Agency, which includes adopting operating and capital budgets.

The Agency's summary financial position at September 30, 2018 is presented below:

Total Assets	$ 2,987,494
Total Liabilities	440,567
	$ 2,546,927

The Participating Districts account for their share of the Agency's net position on the equity method in their General Funds. Each Participating Districts' respective shares are determined based on their proportionate share of cash contributions and all other cash payments and contributions made to the Agency on a cumulative basis.

NOTES TO FINANCIAL STATEMENTS

At September 30, 2018, the Agency's net position are allocated among the Participating Districts as follows:

The Woodlands MUD No. 1	$ 371,745
Montgomery County MUD No. 6	352,827
Montgomery County MUD No. 7	418,788
Montgomery County MUD No. 36	381,422
Montgomery County MUD No. 39	47,851
Montgomery County MUD No. 46	194,152
Montgomery County MUD No. 47	335,596
Montgomery County MUD No. 60	209,587
Montgomery County MUD No. 67	153,692
The Woodlands Metro Center MUD	81,267
	$ 2,546,927

Each Participating District's share of participants' equity at September 30, 2018 includes an initial contribution of $7,500, which will not be refunded except on withdrawal from the Agency or termination of the interlocal contracts.

The Agency's summary operating results for the year ended September 30, 2018 are presented below along with the District's related share:

	Agency	District
Total Revenues	$ 6,991,919	$ 611,195
Total Expenses	7,003,027	612,166
Revenues Over (Under) Expenses	(11,108)	(971)
Participant distributions	(357,000)	(28,998)
Participants' Equity - Beginning	2,915,035	183,661
Participants' Equity - Ending	$ 2,546,927	$ 153,692

Charges for the Agency's operating costs are based on the Participating District's number of monthly water and sewer billings, tap connections and direct costs incurred. During the year ended September 30, 2018, the District's contribution for the Agency's costs was made up of the following charges:

Tax administration	$ 28,658
Administration	168,156
Engineering	66,031
Meter reading	31,417
Water repair and maintenance	137,018
Sewer repair and maintenance	5,237
Billing income	9,071
Large ditch repair and maintenance	40,382
Storm sewer repair and maintenance	37,000
Postage	10,438
Service fees and other	16,741
Capital budget contribution	2,802
Water tap installation	36,250
Inspections and connections	8,275
	$ 597,476

NOTE 10 – FINANCING AGREEMENTS WITH SAN JACINTO RIVER AUTHORITY

The District has entered into a series of financing agreements with the San Jacinto River Authority (SJRA). The agreements are for design, construction and other improvements to The Woodlands Waste Disposal System Project and The Woodlands Water Supply System Project. The agreements include provisions for advances to be made by the District in the initial stages of the project under certain circumstances. The District has made no advances in the fiscal year ended September 30, 2018.

The District's financing agreements with the SJRA also provide for the allocation of pro rata shares of SJRA revenue bond principal and interest to the District proportionate to the District's interest in the portion of project financed.

The District's proportionate share of the total revenue bond obligations of the SJRA varies by project. During the year ended September 30, 2018, the District funded $569,783 from the General Fund relating to the obligations of which $320,251 was for principal and $249,532 was for interest.

The following reflects the District's portion of existing debt of the SJRA for both the Waste Disposal System Project and the Water Supply System Project. The debt bears interest at varying rates and matures in 2032.

Year	Principal	Interest	Total
2019	$ 329,361	$ 242,760	$ 572,121
2020	337,860	229,587	567,447
2021	350,562	221,056	571,618
2022	363,702	208,768	572,470
2023	380,781	191,161	571,942
2024-2028	2,160,215	682,809	2,843,024
2029-2032	1,346,275	151,071	1,497,346
	$ 5,268,756	$ 1,927,212	$ 7,195,968

As of September 30, 2018, the District has contracted to purchase capacity rights from the SJRA to service 5,080 single family residential equivalent connections in the Water Supply System and 5,971 single family residential equivalent connections in the Waste Disposal System. The District has paid $14,991,886 to the SJRA for the purchase of these capacity rights from its pro-rata share of the financing agreements noted above, bond proceeds capital funds and other District capital funds sources. The Sixth and Final Accounting prepared in the current year indicated that the District's final contribution total is $18,655,285 for these rights. Based on the Sixth and Final Accounting, $3,663,399 is due to the SJRA from the District on or before December 3, 2018.

NOTE 11 – CONTRACT WITH SAN JACINTO RIVER AUTHORITY

The District has contracted with the SJRA to provide its customers with water and sewer utility services through planning, construction, operation and maintenance of central water supply and waste disposal facilities. The initial contract was entered into on September 27, 1983, and continues in full force and effect unless terminated by mutual agreement of the District and the SJRA. Thereafter, the District retains a proportionate and equitable ownership interest in such central facilities.

Under the terms of the agreement, the District pays its proportionate share of capital and operating costs for reserved capacity in the water supply and waste disposal facilities. Capital payments have come from the proceeds of bonds issued by the District and are included as capital assets. Operating costs are recorded as current expenditures in the District's General Fund. During the year ended September 30, 2018, the District paid $3,471,340 for its share of operating costs. Pursuant to the agreement and a resolution approved by the SJRA on August 28, 2014, the SJRA maintains reserve funds for operation of the water supply and waste disposal facilities to cover cash flow needs year-round in an amount ranging between two and three months of total operating costs, excluding costs related to the payment of groundwater reduction plan fees. This operating reserve changes during the year based on available funds and changes in operating conditions. No amounts have been recorded on the District's financial statements to reflect the District's share of this reserve. The SJRA also maintains reserve funds in accordance with the agreement and resolution for the planned repair and replacement of water supply and waste disposal facilities having a significant replacement value and a relatively long useful life (generally in excess of ten years). The amount of such reserve varies from year to year based upon a five-year capital improvement and construction plan developed, maintained and annually updated by the SJRA. No amounts have been recorded on the District's financial statements to reflect the District's share of this reserve.

Pursuant to the agreement and the resolution, the SJRA also maintains an emergency reserve for purpose of providing funding for unexpected catastrophic events. The emergency reserve is funded periodically by the District and other participating districts from available sources. The amount of such reserve varies from year to year pursuant to the resolution. No amounts have been recorded on the District's financial statements to reflect the District's share of this reserve.

The relationship between the SJRA and its customer districts is purely contractual. The SJRA is a separate functioning governmental entity whose management and Board of Directors are not subject to the control of the customer districts. The District, together with other area municipal utility districts with similar contracts with the SJRA (collectively the "Customer Districts"), contracts directly with the SJRA for required facilities and does not have a contract with other Customer Districts. The SJRA is not a participating facility user.

The SJRA serves as the sponsor and common provider to each of its Customer Districts of facilities and related services and has full legal title and ownership to facilities, subject only to the contractual rights of the Customer Districts to receive services.

The SJRA invests its own capital funds in the construction and acquisition of the required facilities. Each Customer District makes a payment to the SJRA to defray the costs of construction of capital facilities proportionate to the contractual rights of use (or capacity rights) of such customer pursuant to its contract with the SJRA. Thus, each Customer District has invested from its bond proceeds capital funds in the acquisition of such contract rights; however, no Customer District owns nor has legal title to all or any portion of the physical facilities providing such services.
Under these circumstances, the District's relationship with the SJRA is not considered to constitute either a shared facilities agreement or a joint venture arrangement. Disclosure has been made that a substantial portion of water and sewer facility costs in the District's general fixed assets consist of the District's investment in the acquisition of contractual rights of use, rather than ownership of facilities.

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. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

NOTE 13 – ANNEXATION DEFERRAL AGREEMENT

The District and the adjacent Woodlands Municipal Utility Districts (the "Woodlands Districts") are located entirely within The Woodlands Township, a political subdivision of the State of Texas which overlaps substantially all of The Woodlands. The Township has recently concluded agreements with the City of Houston and the City of Conroe pursuant to which the area of the Township, including the Woodlands Districts, may not be annexed for fifty (50) years, and the area of the Township may, on or after May 29, 2014, and on request by the Township, be excluded from the extraterritorial jurisdiction of either or both cities, and may thereafter be incorporated as a municipality or may adopt a new form of local government. In the event of incorporation of the Township, the newly incorporated municipality may dissolve the Woodlands Districts and assume the assets, obligations and liabilities of the Woodlands Districts.

<u>REQUIRED SUPPLEMENTARY INFORMATION</u>

Montgomery County Municipal Utility District No. 67

Exhibit C(1)

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

Year Ended September 30, 2018

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Revenues				
Water service	$ 2,875,505	$ 2,875,505	$ 2,796,230	$ (79,275)
Sewer service	1,196,077	1,196,077	1,272,456	76,379
Property taxes	1,197,409	1,197,409	1,193,213	(4,196)
Tap connection fees	10,300	10,300	49,950	39,650
Interest on investments	36,475	36,475	67,221	30,746
Other	(36)	(36)	58,749	58,785
Total Revenues	5,315,730	5,315,730	5,437,819	122,089
Expenditures				
Current:				
Purchased water and sewer	3,452,544	3,452,544	3,471,340	18,796
Purchased services	581,347	581,347	524,293	(57,054)
Professional fees	30,650	30,650	33,733	3,083
Other	102,043	102,043	101,804	(239)
Capital Outlay			67,025	67,025
Debt Service	569,783	569,783	569,783	
Total Expenditures	4,736,367	4,736,367	4,767,978	31,611
Excess (Deficiency) of Revenues Over (Under) Expenditures	579,363	579,363	669,841	90,478
Other Financing Sources (Uses)				
Equity in net income (loss) of JV			(971)	(971)
Total Other Fin. Sources (Uses)			(971)	(971)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under Expenditures and Other Financing (Uses)	579,363	579,363	668,870	89,507
Fund Balances - Beginning	3,892,333	3,892,333	3,892,333	
Fund Balances - Ending	$ 4,471,696	$ 4,471,696	$ 4,561,203	$ 89,507

ADDITIONAL INFORMATION

Montgomery County Municipal Utility District No. 67

SCHEDULE OF SERVICES AND RATES

Year Ended September 30, 2018

1. **Services provided by the District:**

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

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

___ Other (specify): ____________________

2. **Retail rates based on 5/8" meter** — Retail rates not applicable

The most prevalent type of meter (if not a 5/8"): ____________________

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
Water	$ 5.00		N	$ 1.70	1,000 - 3,000
Water			N	$ 2.80	4,000 - 15,000
Water			N	$ 4.45	16,000 - 30,000
Water			N	$ 5.80	31,000 - >
Waste	$10.50	3,000	N	$ 4.50	per 1,000

Surcharge $ 2.76 Per 1,000 Groundwater Reduction Plan Fee

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

Total water and sewer charges per 10,000 gallons usage (including surcharges) $81.57

3. **Retail Service Providers:** Number of retail water and/or wastewater* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

	Active Connections	Active ESFC	Inactive Connections**
Single Family	2,519	2,519	2
Multi-Family	7	2,347	
Commercial	51	305	
Other - recreational centers, government & VFD	104	621	
TOTAL	2,681	5,792	2

* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

** "Inactive" means that water and wastewater connections were made, but service is not being provided.

4. **Total Water Consumption (In Thousands) During the Fiscal Year:**

Gallons pumped into system:	N/A
Gallons billed to customers:	465,251
Percent of gallons billed to pumped	N/A

5. **Standby Fees**: Does the District assess standby fees? Yes ___ No _X_

For the most recent full fiscal year:

Debt Service:	Total levy	$
	Total collected	$
	Percentage collected	%
Operation & Maintenance	Total levy	$
	Total collected	$
	Percentage collected	%

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? Yes ___ No ___

6. **Location of District:**

County in which District is located. Montgomery

Is the District located entirely within one county? Yes _X_ No ___

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

City in which District is located. ___

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

Entirely _X_ Partly ___ Not at all ___

ETJ's in which District is located. Houston

Is the general membership of the Board appointed by an office outside the District?

Yes ___ No _X_

If yes, by whom? ___

Montgomery County Municipal Utility District No. 67

TSI-2

SCHEDULE OF GENERAL FUND EXPENDITURES

Years Ended September 30, 2018 and 2017

	2018	2017
Current		
Purchased Water and Sewer Services from SJRA	$ 3,471,340	$ 3,383,580
Purchased Services from Joint Venture	524,293	499,159
Professional Fees:		
Auditing	5,000	4,650
Legal	28,733	19,312
	33,733	23,962
Other Current Expenditures:		
Directors' fees	11,550	12,300
Regulatory assessment	24,577	23,792
Bank charges	37,433	36,864
Arbitrage		3,250
Insurance	3,060	2,920
Bear Branch	17,120	29,353
Miscellaneous	8,064	5,634
	101,804	114,113
Capital Outlay	67,025	57,950
Debt Service:		
Principal	320,251	312,018
Interest and fiscal charges	249,532	258,728
	569,783	570,746
Total Expenditures	$ 4,767,978	$ 4,649,510

Number of employees employed by the District:		
	0	Full-time
	0	Part-time

Montgomery County Municipal Utility District No. 67

TSI-3

SCHEDULE OF CASH AND TEMPORARY INVESTMENTS

Year Ended September 30, 2018

Funds	Interest Rate (%)	Maturity Date	Balances at September 30, 2018	Accrued Interest
General Fund				
Checking	N/A	N/A	$ 52,109	$
Texpool	Variable	N/A	957,211	
Texstar	Variable	N/A	3,561,636	
Total General Fund			4,570,956	
Debt Service Fund				
Checking	N/A	N/A	3,947	
Texpool	Variable	N/A	349,803	
Texstar	Variable	N/A	791,625	
Total Debt Service Fund			1,145,375	
Capital Projects Fund				
Checking	N/A	N/A	23,019	
Texpool	Variable	N/A	4,523,587	
Total Capital Projects Fund			4,546,606	
Total - All Funds			$ 10,262,937	$

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Montgomery County Municipal Utility District No. 67

TSI-4

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

Year Ended September 30, 2018

	General Fund	Debt Service Fund	Total
Taxes Receivable - October 01, 2017	$ 7,589	$ 15,637	$ 23,226
2017 Original Tax Roll	1,193,521	2,156,039	3,349,560
Additions and corrections	(273)	(303)	(576)
Adjusted tax roll	1,193,248	2,155,736	3,348,984
Total to be Accounted for	1,200,837	2,171,373	3,372,210
Tax Collections			
Current year	1,192,020	2,153,326	3,345,346
Prior years	1,193	1,326	2,519
Total Collections	1,193,213	2,154,652	3,347,865
Taxes Receivable - September 30, 2018	$ 7,624	$ 16,721	$ 24,345
Taxes Receivable - By Year			
2017	$ 1,502	$ 2,713	$ 4,215
2016	1,104	1,226	2,330
2015	900	1,255	2,155
2014	922	1,230	2,152
2013 and prior	3,196	10,297	13,493
Taxes Receivable - September 30, 2018	$ 7,624	$ 16,721	$ 24,345

Assessed Property Valuations	2017	2016	2015	2014	2013
Land, improvements and personal property	$ 1,540,027,733	$ 1,538,640,197	$ 1,286,649,405	$ 1,088,147,460	$ 918,471,193
	$ 1,540,027,733	$ 1,538,640,197	$ 1,286,649,405	$ 1,088,147,460	$ 918,471,193
Tax Rates Per $100 Valuations					
Debt service	$ 0.1400	$ 0.1250	$ 0.1500	$ 0.1600	$ 0.1750
General operations	0.0775	0.1125	0.1075	0.1200	0.1275
Total Tax Rate per $100 Valuation	$ 0.2175	$ 0.2375	$ 0.2575	$ 0.2800	$ 0.3025
Adjusted Tax Levy	$ 3,349,560	$ 3,654,270	$ 3,313,122	$ 3,046,813	$ 2,778,375

Year Ended September 30, 2018	All Taxes
Percent of current taxes collected to current taxes levied (as adjusted)	99.9%
Percent of current and delinquent taxes collected to current levied (as adjusted) and delinquent taxes outstanding at the beginning of the year (as adjusted)	99.3%

Montgomery County Municipal Utility District No. 67

LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS

September 30, 2018

Due During Fiscal Year End September 30	All Series			Series 2005R		
	Principal	Interest	Total	Principal	Interest	Total
2019	$ 1,280,000	$ 580,929	$ 1,860,929	$ 220,000	$ 35,710	$ 255,710
2020	1,520,000	525,691	2,045,691	115,000	26,910	141,910
2021	1,405,000	475,767	1,880,767	120,000	22,023	142,023
2022	1,460,000	417,010	1,877,010	125,000	16,923	141,923
2023	1,525,000	356,398	1,881,398	130,000	11,610	141,610
2024	1,590,000	290,570	1,880,570	140,000	6,020	146,020
2025	850,000	220,675	1,070,675			
2026	885,000	199,811	1,084,811			
2027	920,000	176,906	1,096,906			
2028	955,000	151,963	1,106,963			
2029	990,000	124,805	1,114,805			
2030	1,025,000	95,850	1,120,850			
2031	1,065,000	65,100	1,130,100			
2032	1,105,000	33,150	1,138,150			
Total	$ 16,575,000	$ 3,714,625	$ 20,289,625	$ 850,000	$ 119,196	$ 969,196

Due During Fiscal Year End September 30	Series 2010R			Series 2011R		
	Principal	Interest	Total	Principal	Interest	Total
2019	$ 205,000	$ 43,675	$ 248,675	$ 655,000	$ 176,500	$ 831,500
2020	330,000	35,988	365,988		143,750	143,750
2021	345,000	23,200	368,200	710,000	143,750	853,750
2022	235,000	9,400	244,400	740,000	111,800	851,800
2023				740,000	78,500	818,500
2024				830,000	41,500	871,500
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
Total	$ 1,115,000	$ 112,263	$ 1,227,263	$ 3,675,000	$ 695,800	$ 4,370,800

Due During Fiscal Year End September 30	Series 2011 Principal	Series 2011 Interest	Series 2011 Total	Series 2012R Principal	Series 2012R Interest	Series 2012R Total
2019	$ 110,000	$ 53,506	$ 163,506	$ 90,000	$ 82,900	$ 172,900
2020		50,206	50,206	1,075,000	80,200	1,155,200
2021	115,000	50,206	165,206	115,000	47,950	162,950
2022	120,000	46,325	166,325	240,000	43,925	283,925
2023	125,000	42,125	167,125	530,000	35,525	565,525
2024	135,000	37,438	172,438	485,000	16,975	501,975
2025	140,000	32,038	172,038			
2026	150,000	26,438	176,438			
2027	155,000	20,438	175,438			
2028	165,000	14,238	179,238			
2029	170,000	7,225	177,225			
2030						
2031						
2032						
Total	$ 1,385,000	$ 380,183	$ 1,765,183	$ 2,535,000	$ 307,475	$ 2,842,475

Due During Fiscal Year End September 30	Series 2017 Principal	Series 2017 Interest	Series 2017 Total
2019	$	$ 188,638	$ 188,638
2020		188,637	188,637
2021		188,638	188,638
2022		188,637	188,637
2023		188,638	188,638
2024		188,637	188,637
2025	710,000	188,637	898,637
2026	735,000	173,373	908,373
2027	765,000	156,468	921,468
2028	790,000	137,725	927,725
2029	820,000	117,580	937,580
2030	1,025,000	95,850	1,120,850
2031	1,065,000	65,100	1,130,100
2032	1,105,000	33,150	1,138,150
Total	$ 7,015,000	$ 2,099,708	$ 5,725,608

Montgomery County Municipal Utility District No. 67

ANALYSIS OF CHANGES IN LONG-TERM DEBT

Year Ended September 30, 2018

	Bond Issue			
	2005R	**2010R**	**2011R**	**2011**
Interest rate	3.5-4.3%	3.0-4.5%	4.5-5.0%	2.0-4.25%
Dates interest payable	9/1;3/1	9/1;3/1	9/1;3/1	9/1;3/1
Maturity dates	9/1/06- 9/1/24	9/1/10- 9/1/22	9/1/17- 9/1/24	9/1/12- 9/1/29
Original issue amount	$ 2,450,000	$ 8,095,000	$ 4,565,000	$ 2,015,000
Bonds payable, beg. of year	$ 1,060,000	$ 1,390,000	$ 4,275,000	$ 1,490,000
Bonds sold				
Bonds refunded				
Principal retirements	(210,000)	(275,000)	(600,000)	(105,000)
Bonds Payable, End of Year	$ 850,000	$ 1,115,000	$ 3,675,000	$ 1,385,000
Interest Retirements	$ 44,110	$ 56,050	$ 206,500	$ 56,656

Paying Agent/Registrar

All Series	Bank of New York

Bond Authority	**Tax Bonds**
Amount authorized by voters	$ 42,880,000
Amount issued	$ 36,330,000
Remaining	$ 6,550,000

Debt Service Fund Cash and Temporary Investment Balances at End of Year	$ 1,145,375
Average Annual Debt Service Payment for Remaining Term of all Debt	$ 1,449,259

2012R	2012R	Total
2.0-3.5%	2.15-3.0%	
9/1;3/1	9/1;3/1	
9/1/12- 9/1/24	9/1/25- 9/1/32	
$ 3,075,000	$ 7,015,000	
$ 2,565,000	$	$ 10,780,000
	7,015,000	7,015,000
(30,000)		(1,220,000)
$ 2,535,000	$ 7,015,000	$ 16,575,000
$ 83,800	$ 143,050	$ 590,166

Montgomery County Municipal Utility District No. 67

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL AND DEBT SERVICE FUNDS

Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
General Fund Revenues					
Water and sewer service	$ 4,068,686	$ 3,970,610	$ 3,633,738	$ 2,893,768	$ 2,783,638
Property taxes	1,193,213	1,728,389	1,383,968	1,302,809	1,170,667
Tap connections & culverts	49,950	68,425	7,500	60,200	78,275
Interest and other	125,970	25,288	7,993	57,688	14,624
Total Revenues	5,437,819	5,792,712	5,033,199	4,314,465	4,047,204
General Fund Expenditures					
Current	4,131,170	4,020,814	3,730,315	3,099,420	2,944,123
Capital outlay	67,025	57,950	16,000	52,175	275,655
Debt service	569,783	570,746	653,660	756,865	688,236
Total Expenditures	4,767,978	4,649,510	4,399,975	3,908,460	3,908,014
Revenues Over (Under) Expenditures	$ 669,841	$ 1,143,202	$ 633,224	$ 406,005	$ 139,190

	2018	2017	2016	2015	2014
Debt Service Fund Revenues					
Property taxes/penalties	$ 2,160,761	$ 1,929,371	$ 1,937,738	$ 1,743,643	$ 1,614,034
Interest	34,297	11,855	5,040	1,608	2,761
Total Revenues	2,195,058	1,941,226	1,942,778	1,745,251	1,616,795
Debt Service Fund Expenditures					
Tax collection	58,324	61,924	53,685	48,565	44,391
Debt service	1,814,416	1,669,941	1,735,716	1,732,116	2,191,516
Total Expenditures	1,872,740	1,731,865	1,789,401	1,780,681	2,235,907
Revenues Over (Under) Expenditures	$ 322,318	$ 209,361	$ 153,377	$ (35,430)	$ (619,112)

Percent of Total Fund Revenues				
2018	2017	2016	2015	2014
74.8 %	68.5 %	72.2 %	67.1 %	68.8 %
21.9	29.8	27.5	30.2	28.9
0.9	1.2	0.1	1.4	1.9
2.4	0.5	0.2	1.3	0.4
100.0	100.0	100.0	100.0	100.0
76.0	69.4	74.1	71.8	72.7
1.2	1.0	0.3	1.2	6.8
10.5	9.9	13.0	17.5	17.0
87.7	80.3	87.4	90.5	96.5
12.3 %	19.7 %	12.6 %	9.5 %	3.5 %
98.4 %	99.4 %	99.7 %	99.9 %	99.8 %
1.6	0.6	0.3	0.1	0.2
100.0	100.0	100.0	100.0	100.0
2.7	3.2	2.8	2.8	2.7
82.7	86.0	89.3	99.2	135.5
85.4	89.2	92.1	102.0	138.2
14.6 %	10.8 %	7.9 %	(2.0) %	(38.2) %

Montgomery County Municipal Utility District No. 67

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

September 30, 2018

District's Mailing Address:	2455 Lake Robbins Drive P.O. Box 7580 The Woodlands, Texas 77380
District's Business Telephone Number:	(281) 367-1271

Name	Term	Fees	Expenses	Title	Resident of District?
Board Members					
Roland Johnson	5/18- 5/22	$ 1,800	$ 878	President	No
Larry Copeland	5/16- 5/20	1,650		Vice- President	Yes
Alan Fritsche	5/18- 5/22	2,250	930	Secretary/ Treasurer	Yes
Paul Martin	5/18- 5/22	3,900		Assistant Secretary/ Treasurer WJPA Trustee	Yes
Alton Wicker	5/16- 5/20	1,800	527	Assistant Secretary/ Treasurer	Yes

Note: No director is disqualified from serving on this board under the Texas Water Code.

Name and Address	Date Hired	Salaries and Fees	Title	Resident of District?
Key Administrative Personnel				
Jim Stinson 42 Gallant Oak Place The Woodlands, Texas 77381	7/94	$ 207,693 *	General Manager Woodlands JPA	Yes
Consultants				
Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	3/1/88	30,399	Attorney	No
Montgomery County Appraisal District 109 Gladstell Conroe, Texas 77301	10/1/84	30,519	Central Appraisal District	No
Knox Cox & Co., LLP 77 Sugar Creek Center Blvd., Suite 215 Sugar Land, Texas 77478	8/1/01	5,000	Independent Auditor	No
RW Baird 4400 Post Oak Parkway, Suite 2790 Houston, Texas 77027	2015	0	Financial Advisor	No

* Represents the General Manager's salary paid by the JPA.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

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

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

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