

**OFFICIAL STATEMENT DATED AUGUST 15, 2019**

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94. IN THE OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE “LEGAL MATTERS” AND “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL.

*THE BONDS HAVE BEEN DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS.”*

**NEW ISSUE-BOOK-ENTRY-ONLY**

Insured Rating (BAM): S&P “AA” (stable outlook)  
 Underlying Rating: Moody’s “A2”  
 See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” herein.

**\$6,585,000**

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
*(A political subdivision of the State of Texas located within Montgomery County)*

**UNLIMITED TAX REFUNDING BONDS  
 SERIES 2019**

**Dated Date: September 1, 2019**

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

The bonds described above (the “Bonds”) are obligations solely of Montgomery County Municipal Utility District No. 94 (the “District”), and are not obligations of the State of Texas, Montgomery County, the City of Houston or any entity other than the District. THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED “INVESTMENT CONSIDERATIONS.”

Principal of the Bonds is payable at maturity or prior redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the “Paying Agent/Registrar”). Interest on the Bonds accrues from September 1, 2019, and is payable on each April 1 and October 1 (each an “Interest Payment Date”), commencing April 1, 2020, until maturity or prior redemption. The Bonds will be issued only in fully registered form and in denominations of \$5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown below.

The Bonds will be registered and delivered only 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. See “BOOK-ENTRY-ONLY SYSTEM.”



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

**MATURITY SCHEDULE**

Due (October 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (October 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2020	\$ 45,000	2.000 %	1.29 %	613926 RM8	2028	\$ 620,000 (a)	2.000 %	1.90 %	613926 RV8
2021	215,000	2.000	1.22	613926 RN6	2029	635,000 (a)	2.000	2.00	613926 RW6
2022	545,000	2.000	1.25	613926 RP1	2030	210,000 (a)	2.000	2.15	613926 RX4
2023	555,000	2.000	1.37	613926 RQ9	2031	215,000 (a)	2.000	2.23	613926 RY2
2024	580,000	2.000	1.48	613926 RR7	2032	220,000 (a)	2.000	2.33	613926 RZ9
2025	595,000	2.000	1.57	613926 RS5	2033	225,000 (a)	2.125	2.38	613926 SA3
2026	840,000 (a)	2.000	1.69	613926 RT3	2034	230,000 (a)	2.250	2.43	613926 SB1
2027	855,000 (a)	2.000	1.80	613926 RU0					

- (a) Bonds maturing on or after October 1, 2026, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on October 1, 2025, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
- (b) CUSIP Numbers will be assigned to the Bonds by CUSIP Service Bureau and will be included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter (as herein defined) shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial Reoffering Yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which subsequently may be changed.

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. Investment in the Bonds is subject to special investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District, subject, among other things, to 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 McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter’s Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about September 17, 2019.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 1400, Houston, Texas, 77056, upon payment of the costs of 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 other matters described herein since the date hereof. However, the District has agreed to keep this OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Underwriter (as herein defined) and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

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".

## SALE AND DISTRIBUTION OF THE BONDS

### **The Underwriter**

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$6,591,363.81 (representing the principal amount of the Bonds of \$6,585,000.00, plus a net premium of \$58,519.45, less an Underwriter’s discount of \$52,155.64), plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at yields lower than the public offering yield stated on the cover page hereof. The initial offering yield may be changed at any time by the Underwriter.

The Underwriter has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

### **Prices and Marketability**

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

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

### **Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

### RECENT SEVERE WEATHER EVENTS; HURRICANE HARVEY

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

*Hurricane Harvey Impact...* According to the District’s operator, the District’s System sustained some damage but was returned to operation within 1 day. To the best knowledge of the District, approximately 50 homes and some commercial businesses within the District experienced water incursions.

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

### THE DISTRICT

*Description...* The District is a political subdivision of the State of Texas, created on September 11, 2002, by order of the Texas Natural Resource Conservation Commission, predecessor to the Texas Commission on Environmental Quality (the “TCEQ”), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 667 acres of land. See “THE DISTRICT.”

*Location...* The District is located in Montgomery County, approximately 23 miles north of the central downtown business district of the City of Houston and within the extraterritorial jurisdiction of the City of Houston. The District is also within the boundaries of the Conroe Independent School District (“Conroe ISD”). Access to the District is provided by the Hardy Toll Road north to Riley Fuzzel Road. The District’s northwest boundary is Riley Fuzzel Road and Spring Creek is to the south and west of the District. See “THE DISTRICT.”

*Status of Development...* The development in the District currently includes 1,685 single-family residential lots on approximately 498 acres. As of July 1, 2019, 1,685 homes were constructed, of which 1,678 were occupied. The 2019 average homestead value in the District is approximately \$268,000.

A recreation center has been constructed on approximately 3 acres within the District and features a competition size swimming pool, a children’s wading pool, a children’s playground and a visitor’s center. A Conroe ISD school has been constructed on approximately 16 acres. An approximate 3-acre tract has been developed as retail/commercial property. Approximately 147 acres are not developable with taxable improvements (i.e. easements, wetlands, right-of-way and buffer zone for future Grand Parkway, recreational, open space, water plant and lift station sites). See “THE DISTRICT.”

*Payment Record...* The District has previously issued eleven series of unlimited tax bonds in the aggregate principal amount of \$38,450,000 for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, one series of unlimited tax park bonds in the principal amount of \$3,350,000 for the purpose of acquiring or constructing recreational facilities and six series of unlimited tax refunding bonds in the aggregate principal amount of \$26,815,000 for the purpose of refunding outstanding bonds of the District (the “Previously Issued Bonds”), of which \$29,595,000 in aggregate principal amount collectively remains outstanding (the “Outstanding Bonds”) as of the date hereof. The District has never defaulted on the payment of principal or interest on the Previously Issued Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

## THE BONDS

*Description...* The \$6,585,000 Unlimited Tax Refunding Bonds, Series 2019 (the “Bonds”) are being issued as fully registered bonds pursuant to an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on October 1 in each of the years 2020 through 2034, both inclusive. The Bonds will be issued in book-entry form only in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from September 1, 2019, and is payable on April 1, 2020, and on each October 1 and April 1 thereafter, until the earlier of maturity or prior redemption. See “THE BONDS.”

*Book-Entry-Only System...* The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC or its designee. See “BOOK-ENTRY-ONLY SYSTEM.”

*Redemption...* Bonds maturing on or after October 1, 2026, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on October 1, 2025, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

*Use of Proceeds...* Proceeds from the sale of the Bonds, along with other lawfully available funds, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$6,550,000 in principal amount of the Outstanding Bonds (the “Refunded Bonds”) in order to reduce the District’s annual debt service expense. After the issuance of the Bonds, \$23,045,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”) and the total amount of District debt, consisting of the Remaining Outstanding Bonds and the Bonds, will be \$29,630,000. See “PLAN OF FINANCING—Refunded Bonds” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

*Authority for Issuance...* The Bonds are the seventh series of bonds issued out of an aggregate of \$61,500,000 principal amount of unlimited tax refunding bonds authorized by the District’s voters on November 5, 2002 and November 6, 2007, for the purpose of refunding outstanding bonds of the District. The Bonds are issued pursuant to the Texas Constitution and the general laws of the State of Texas (particularly Chapters 49 and 54 of the Texas Water Code, as amended and Chapter 1207 of the Texas Government Code, as amended) and City of Houston Ordinance No. 97-416. See “THE BONDS—Authority for Issuance” and “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

*Source of Payment...* Principal of and interest on the Bonds and the Remaining Outstanding Bonds are 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. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any entity other than the District. See “THE BONDS—Source and Security for Payment” and “—Funds.”

*Municipal Bond Rating  
and*

*Municipal Bond Insurance...* It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). The Bonds also have been assigned an underlying credit rating of “A2” by Moody’s Investors Service (“Moody’s”) without regard to credit enhancement. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE,” and “APPENDIX B.”

*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—Qualified Tax-Exempt Obligations.”

*Bond Counsel...*

Schwartz, Page & Harding, L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants” and “LEGAL MATTERS.”

*Special Tax Counsel...*

McCall, Parkhurst & Horton L.L.P., Dallas, Texas. See “TAX MATTERS.”

*Underwriter’s Counsel...*

McCall, Parkhurst & Horton L.L.P., Houston, Texas

*Financial Advisor...*

Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants.”

*Paying Agent/Registrar...*

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

*Escrow Agent...*

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “PLAN OF FINANCING—Escrow Agreement—Defeasance of the Refunded Bonds.”

*Verification Agent...*

Public Finance Partners LLC, Rockford, Minnesota. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

**INVESTMENT CONSIDERATIONS**

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

2019 Taxable Assessed Valuation.....	\$448,873,753	(a)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds) .....	\$29,630,000	(b)
Estimated Overlapping Debt .....	<u>20,892,735</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$50,522,735	
Ratio of Gross Direct Debt to:		
2019 Taxable Assessed Valuation .....	6.60%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Taxable Assessed Valuation .....	11.26%	
Funds Available for Operations and Maintenance as of August 6, 2019 .....	\$4,959,205	(d)
Funds Available for Capital Projects as of August 6, 2019 .....	\$ 117,180	
Funds Available for Debt Service as of August 6, 2019 .....	\$4,091,184	(e)
2019 Debt Service Tax Rate.....	\$0.605	(f)
2019 Maintenance Tax Rate.....	0.180	
2019 Total Tax Rate.....	\$0.785	
Average Annual Debt Service Requirement (2020-2037).....	\$1,946,430	(g)
Maximum Annual Debt Service Requirement (2020).....	\$2,790,110	(g)
Tax Rate Required to Pay Average Annual Debt Service (2020-2037) at a 95% Collection Rate based upon 2019 Taxable Assessed Valuation .....	\$0.46	(h)
Tax Rate Required to Pay Maximum Annual Debt Service (2020) at a 95% Collection Rate based upon 2019 Taxable Assessed Valuation .....	\$0.66	(h)
Status of Development as of July 1, 2019 (i):		
Total Homes Completed (1,678 Occupied).....	1,685	
Estimated Population .....	5,873	(j)

- (a) The 2019 Taxable Assessed Valuation shown herein includes \$421,386,503 of certified value and \$27,487,250 of uncertified value provided by the Montgomery Central Appraisal District (the "Appraisal District"). The uncertified value represents the owners' opinion of the value; however, such value is subject to review and downward adjustment prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (b) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes."
- (d) The District intends to apply \$150,000 from the District's Operation and Maintenance Fund for the purpose of which the Bonds are being issued.
- (e) The District intends to apply \$107,000 from the District's Debt Service Fund for the purpose of which the Bonds are being issued. Neither Texas law nor the Bond Order requires the District to maintain any particular balance in the Debt Service Fund.
- (f) The District authorized publication of its intent to levy a total tax rate of \$0.785 per \$100 of taxable assessed valuation, of which \$0.605 per \$100 of taxable assessed valuation is allocated to debt service and \$0.180 per \$100 of taxable assessed valuation is allocated to maintenance and operations.
- (g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (h) See "TAX DATA—Tax Adequacy for Debt Service."
- (i) See "THE DISTRICT—Land Use" and "Status of Development."
- (j) Based upon 3.5 persons per occupied single-family residence.



## OFFICIAL STATEMENT

### **MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94** *(A political subdivision of the State of Texas located within Montgomery County)*

### **\$6,585,000** **UNLIMITED TAX REFUNDING BONDS** **SERIES 2019**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 94 (the “District”) of its \$6,585,000 Unlimited Tax Refunding Bonds, Series 2019 (the “Bonds”).

The Bonds are issued pursuant to the Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas (particularly Chapter 1207 of the Texas Government Code, as amended), City of Houston Ordinance No. 97-416 and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”).

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District and development in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Schwartz, Page & Harding, L.L.P. (“Bond Counsel”), 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056 upon payment of the costs of duplication therefor.

## PLAN OF FINANCING

### **Purpose**

At bond elections held within the District on November 5, 2002 and November 6, 2007, the voters of the District authorized the issuance of \$55,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing water, sanitary sewer and drainage facilities in the District, \$6,500,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing recreational facilities in the District and \$61,500,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District. See “THE BONDS—Issuance of Additional Debt,” “—Financing Recreational Facilities,” and “INVESTMENT CONSIDERATIONS—Future Debt.”

The proceeds of the Bonds, along with other lawfully available funds, will be used to currently refund and defease a portion of the District’s Unlimited Tax Refunding Bonds, Series 2012 and a portion of the District’s Unlimited Tax Refunding Bonds, Series 2012A (collectively, the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. See “Refunded Bonds” herein. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds” in this section. A total of \$23,045,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

**Refunded Bonds**

The proceeds of the Bonds, along with other lawfully available funds will be applied to currently refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

Maturity Date October 1	Series 2012 Refunding	Series 2012A Refunding
2021	\$ -	\$ 170,000
2022	325,000	180,000
2023	335,000	185,000
2024	355,000	195,000
2025	370,000	200,000
2026	380,000	445,000
2027	395,000	455,000
2028	415,000	215,000
2029	435,000	220,000
2030	-	235,000
2031	-	245,000
2032	-	255,000
2033	-	265,000
2034	-	275,000
	\$ 3,010,000	\$ 3,540,000

Redemption Date:      October 1, 2019      October 1, 2019

The Refunded Bonds will be redeemed on the date shown above, the earliest redemption date allowable under the order authorizing the issuance of the Refunded Bonds.

**Sources and Uses of Funds**

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, along with other lawfully available funds will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds .....	\$6,585,000.00
Plus: Net Premium on the Bonds .....	58,519.45
Plus: Debt Service Fund Contribution .....	107,000.00
Plus: Operations and Maintenance Fund Contribution .....	150,000.00
Total Sources of Funds.....	\$6,900,519.45
Uses of Funds:	
Deposit to Escrow Fund.....	\$6,661,701.98
Issuance Expenses and Underwriter's Discount (a) .....	238,817.47
Total Uses of Funds .....	\$6,900,519.45

(a) Includes municipal bond insurance premium.

## **Escrow Agreement**

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., 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 September 17, 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, 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 cash from a portion of the proceeds of the Bonds 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.

# **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 September 1, 2019, with interest payable on April 1, 2020, and on each October 1 and April 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from September 1, 2019, and thereafter, from the most recent Interest Payment Date. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months. The Bonds mature, and principal in respect of the Bonds is payable, on October 1 in each of the years and in the principal amounts and accrue interest at the rates shown under "MATURITY SCHEDULE" on the 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."

## **Authority for Issuance**

At elections held within the District on November 5, 2002 and November 6, 2007, the voters of the District authorized a total of \$61,500,000 principal amount of unlimited tax refunding bonds for the purpose of refunding bonds of the District.

The Bonds are issued by the District pursuant to said elections, and, to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; City of Houston Ordinance No. 97-416; and the general laws of the State of Texas (particularly Chapter 1207 of the Texas Government Code, as amended).

## **Source and Security for Payment**

The Bonds, together with the Remaining Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied 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 examine carefully 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, the City of Houston, or any political subdivision or entity other than the District.

## **Funds**

The Bond Order confirms the establishment of the District's Bond Fund (the "Bond Fund") which was created and established pursuant to the orders of the Board of Directors 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 in 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 15<sup>th</sup> day of the month (whether or not a business day) preceding such Interest Payment Date.

## **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on and after October 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on October 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption (the "Redemption Date"). 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 Redemption Date.

## **Method of Payment of Principal and Interest**

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. 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's voters have authorized the issuance of a total of \$55,000,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. The District currently has \$16,550,000 of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of \$61,500,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. After the issuance of the Bonds, the District will have \$59,264,132 of unlimited tax refunding bonds authorized but unissued. The District's voters have also authorized issuance of a total of \$6,500,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts. The District currently has \$3,150,000 of unlimited tax bonds authorized but unissued for recreational facilities. See “Financing Recreational Facilities” below and “INVESTMENT CONSIDERATIONS—Future Debt.”

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

### **Financing Road Facilities**

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for 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 the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

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

At an election held within the District on November 6, 2007, voters of the District authorized a total of \$6,500,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts. The District has a total of \$3,150,000 in principal amount of unlimited tax bonds for recreational facilities authorized but unissued. Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

### **Annexation**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Remaining Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

### **Consolidation**

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, 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 may also not be available. See “INVESTMENT CONSIDERATIONS—Registered Owners’ Remedies” and “—Bankruptcy Limitation to Registered Owners’ Rights.”

## **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

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

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

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

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

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

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

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

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

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



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

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

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

## **THE DISTRICT**

### **General**

The District is a municipal utility district created by an order of the Texas Natural Resource Conservation Commission, a predecessor to the TCEQ, dated September 11, 2002, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate, and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to granting of road powers by the TCEQ and certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities," and "—Financing Road Facilities."

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Montgomery County, Texas. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

### **Description and Location**

The District consists of approximately 667 acres of land. The District is located in Montgomery County approximately 23 miles north of the central downtown business district of the City of Houston. The District is also within the boundaries of the Conroe Independent School District. Access to the District is provided by the Hardy Toll Road north to Riley Fuzzel Road. The District's northwest boundary is Riley Fuzzel Road and Spring Creek is to the south and west of the District.

**Land Use**

The table below represents a detailed breakdown of the current acreage and development in the District.

	<u>Approximate Acres</u>	<u>Lots</u>
<i><u>Single-Family Residential</u></i>		
Spring Trails		
Section One.....	28	97
Section Two.....	19	53
Section Three.....	23	70
Section Four.....	27	90
Section Five.....	40	148
Section Six.....	15	43
Section Seven.....	15	52
Section Eight.....	23	94
Section Nine.....	21	77
Section Ten.....	20	100
Section Eleven.....	30	152
Section Twelve.....	26	94
Section Thirteen.....	30	124
Section Fourteen.....	34	169
Section Fifteen.....	14	37
Section Sixteen.....	21	61
Section Seventeen.....	45	92
Section Eighteen.....	52	92
Section Nineteen.....	15	40
Subtotal.....	498	1,685
<i><u>Community Center</u></i> .....	3	---
<i><u>Commercial</u></i> .....	3	---
<i><u>Conroe Independent School District Site</u></i> .....	16	---
<i><u>Undevelopable (a)</u></i> .....	147	---
Total.....	667	1,685

(a) Consists of easements, wetlands, right-of-way and buffer zone for future Grand Parkway, recreational, open space, water plant and lift station sites

**Status of Development**

As of July 1, 2019, 1,685 homes were constructed, of which 1,678 were occupied. The 2019 average homestead value in the District is approximately \$268,000. The estimated population within the District is 5,873, based upon 3.5 persons per occupied single-family residence.

A recreation center has been constructed on approximately 3 acres within the District and features a competition size swimming pool, a children’s wading pool, a children’s playground and a visitor’s center. A Conroe Independent School District school has been constructed on approximately 16 acres. An approximate 3-acre tract has been developed as retail/commercial property.

## MANAGEMENT OF THE DISTRICT

### **Board of Directors**

The District is governed by the Board consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held on the first Saturday of May of even numbered years. All of the Board members reside within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Spitzmiller	President	May 2022
Jason Schultz	Vice President	May 2020
Joseph Frost	Secretary	May 2022
Eric Lugger	Asst. Secretary	May 2020
Merry Leonard	Asst. Secretary	May 2022

### **District Consultants**

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

*Bond Counsel and General 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.

*Special Tax Counsel:* McCall, Parkhurst & Horton L.L.P., Dallas, Texas serves as Special Tax Counsel to the District. The fees to be paid to Special Tax Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

*Financial Advisor:* Masterson Advisors LLC serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

*Engineer:* The District’s consulting engineer is Costello, Inc. (the “Engineer”).

*Auditor:* The District’s audited financial statements for the year ended March 31, 2019, were prepared by McCall Gibson Swedlund Barfoot PLLC. See “APPENDIX A” for a copy of the District’s March 31, 2019, audited financial statements.

*Bookkeeper:* The District has contracted with McLennan & Associates, L.P. (the “Bookkeeper”) for bookkeeping services.

*Operator:* The District has contracted with Gulf Utility Service, Inc. to operate and maintain the District’s water and sanitary sewer systems.

*Tax Appraisal:* The Montgomery Central Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

*Tax Assessor/Collector:* The District has appointed an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest, Inc. (the “Tax Assessor/Collector”) has been employed by the District to serve in this capacity.

## **THE SYSTEM**

### **Water Supply**

Water supply for the District is currently being provided by a water plant owned and operated by the District, which consists of two 1,200 gallon per minute (“gpm”) water wells, two ground storage tanks with a combined capacity of 455,000 gallons, booster pumps with a total capacity of 3,450 gpm, and 30,000 gallons of pressure tank capacity. The District has emergency interconnects with Harris County Water Control & Improvement District No. 92 (“WCID 92”) and Montgomery County Municipal Utility District No. 119 (“MUD 119”).

The existing water supply facilities will serve 1,725 equivalent single-family connections, which according to the District, will serve ultimate build-out of the District based on current land use projections. As of July 1, 2019, the District was serving approximately 1,721 active equivalent single-family connections (consisting of 1,685 completed homes, 36 connections for the school, recreation center and commercial development).

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

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

Large water users, including the District, were required to prepare and submit a Water Resources Assessment Plan (“WRAP”) which identifies methods and plans for reduction of groundwater usage through the development of alternate water resources, including the design and construction of infrastructure facilities to purchase and transport water to affected areas within Montgomery County.

The District is a participant in a WRAP prepared by the San Jacinto River Authority (the “SJRA”) which preliminarily addressed many of the items to be included in a groundwater reduction plan sufficient to meet the Conservation District’s requirements. The WRAP has been approved by the Conservation District. Further, the District has entered into an agreement with the SJRA for the purpose of achieving overall compliance with the WRAP.

The District cannot predict the amount or level of fees or charges, which may be due in the future to the Conservation District and to the SJRA to achieve compliance with the WRAP, but passes such fees, which combined are currently \$2.745 per 1,000 gallons, through to its customers resulting in higher water rates. In addition, the conversion to surface water could necessitate improvements to the system which could require the issuance of additional bonds by the District.

### **Wastewater Treatment**

Wastewater treatment for the District is provided by two plants, a plant that is located within the boundary of WCID 92 and a plant located in MUD 119. The WCID 92 wastewater plant is a 700,000 gallon per day (“gpd”) facility. The District owns 275,000 gpd of capacity in the WCID 92 plant, which will adequately serve 916 equivalent single-family connections.

The District and MUD 119 own 246,240 gpd and 608,760 gpd of the capacity, respectively, in a 855,000 gpd wastewater treatment plant. The District’s share of the capacity will serve 820 equivalent single-family connections. The District and MUD 119 have entered into an agreement whereby MUD 119 operates the wastewater treatment plant effective January 1, 2014.

The District’s total existing wastewater capacity in both plants will serve 1,736 equivalent single family connections. As of July 1, 2019, the District was serving approximately 1,721 active equivalent single-family connections (consisting of 1,685 completed homes, 36 connections for the school, recreation center and commercial development)). The capacities of the wastewater treatment plants are rated based on 300 gpd/connection.

### **Water Distribution, Wastewater Collection and Storm Drainage Facilities**

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve the entire District. See “THE DISTRICT—Land Use.”

## **100-Year Flood Plain**

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. See “INVESTMENT CONSIDERATIONS—Hurricane Harvey.”

According to the Federal Emergency Management Agency (FEMA), the majority of the land within the District does not lie within the 100-year flood plain. According to the current Flood Insurance Rate Map dated August 18, 2014, approximately 24 acres of land within the District boundaries are in the 100-year flood plain, which includes land within a nature preserve and 18 lots in Spring Trails Section 17. FEMA has issued a Letter of Map Revision Based on Fill and Letter of Map Amendment which removes such lots within Spring Trails Section 17 from the flood plain.

## **Regulation**

Construction and operation of the District’s water, wastewater and storm drainage system (the “System”) as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Montgomery County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District’s System.

## Waterworks and Sewer System Operating Statement

The Remaining Outstanding Bonds and the Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenue from operations of the District's system, if any, is available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and the Remaining Outstanding Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds or the Remaining Outstanding Bonds in the foreseeable future.

The following statement sets forth in condensed form the General Fund as derived from the District's audited financial statements for the periods ending March 31, 2015 through March 31, 2019. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended March 31				
	2019	2018	2017	2016	2015
<b>REVENUES:</b>					
Water Service	\$ 513,154	\$ 522,045	\$ 534,316	\$ 551,468	\$ 526,396
Sewer Service	902,031	895,375	883,344	887,482	867,641
Property Taxes	722,363	675,896	555,751	663,829	681,265
Water Authority Fees	538,084	560,406	-	-	-
Penalties & Interest	37,168	41,308	36,021	38,502	49,390
Tap Connection & Inspection	525	600	950	850	53,449
Groundwater Pumpage Fees	-	-	532,594	510,607	-
Surface Water	-	-	-	-	431,051
Miscellaneous	3,895	5,966	5,975	5,975	8,515
Investment Earnings	108,249	45,252	9,415	6,978	6,578
<b>TOTAL REVENUES</b>	<b>\$ 2,825,469</b>	<b>\$ 2,746,848</b>	<b>\$ 2,558,366</b>	<b>\$ 2,665,691</b>	<b>\$ 2,624,285</b>
<b>EXPENDITURES:</b>					
Purchased Services	\$ 286,745	\$ 189,076	\$ 254,914	\$ 224,963	\$ 278,171
Professional Fees	126,595	143,683	140,105	110,917	98,482
Contracted Services	800,238	678,083	662,132	625,584	640,728
Repairs & Maintenance	398,702	247,919	359,402	311,699	276,861
Utilities	208,933	211,337	232,240	234,941	269,550
Water Authority Assessments	562,233	579,024	-	-	-
Pumpage Fees	-	-	536,099	449,479	454,921
Administrative	-	-	78,824	72,678	69,005
Other	159,152	138,065	30,137	34,580	30,714
Capital Leases - Principal	30,000	13,215	15,672	14,546	13,210
Capital Leases - Interest	-	16,785	18,178	19,654	20,990
Capital Outlay	60,036	223,072	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,632,634</b>	<b>\$ 2,440,259</b>	<b>\$ 2,327,703</b>	<b>\$ 2,099,041</b>	<b>\$ 2,152,632</b>
<b>NET REVENUES</b>	<b>\$ 192,835</b>	<b>\$ 306,589</b>	<b>\$ 230,663</b>	<b>\$ 566,650</b>	<b>\$ 471,653</b>
<b>OTHER FINANCING SOURCES</b>					
Interfund Transfer	\$ 214,480	\$ -	\$ -	\$ -	\$ -
<b>OTHER ITEM</b>					
Insurance Recovery	-	-	17,318	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 407,315</b>	<b>\$ 306,589</b>	<b>\$ 247,981</b>	<b>\$ 566,650</b>	<b>\$ 471,653</b>
<b>General Operating Fund</b>					
Balance (Beginning of Year)	\$ 5,006,531	\$ 4,699,942	\$ 4,451,961	\$ 3,885,311	\$ 3,413,658
<b>General Operating Fund</b>					
Balance (End of Year)	\$ 5,413,846	\$ 5,006,531	\$ 4,699,942	\$ 4,451,961	\$ 3,885,311

## FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Taxable Assessed Valuation .....	\$448,873,753	(a)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds) .....	\$29,630,000	(b)
Estimated Overlapping Debt .....	<u>20,892,735</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$50,522,735	
Ratio of Gross Direct Debt to:		
2019 Taxable Assessed Valuation .....	6.60%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Taxable Assessed Valuation .....	11.26%	
Funds Available for Operations and Maintenance as of August 6, 2019 .....	\$4,959,205	(d)
Funds Available for Capital Projects as of August 6, 2019.....	\$ 117,180	
Funds Available for Debt Service as of August 6, 2019 .....	\$4,091,184	(e)

- (a) The 2019 Taxable Assessed Valuation shown herein includes \$421,386,503 of certified value and \$27,487,250 of uncertified value provided by the Montgomery Central Appraisal District (the "Appraisal District"). The uncertified value represents the owners' opinion of the value; however, such value is subject to review and downward adjustment prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (b) After the issuance of the Bonds. See "Outstanding Bonds" herein.
- (c) See "Estimated Overlapping Debt" and "Overlapping Taxes" herein.
- (d) The District intends to apply \$150,000 from the District's Operation and Maintenance Fund for the purpose of which the Bonds are being issued.
- (e) The District intends to apply \$107,000 from the District's Debt Service Fund for the purpose of which the Bonds are being issued. Neither Texas law nor the Bond Order requires the District to maintain any particular balance in the Debt Service Fund.

### **Investments of the District**

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

## Outstanding Bonds

The following table lists the original and current principal amounts of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Amount Currently Outstanding</u>	<u>Refunded Bonds</u>	<u>Remaining Outstanding Bonds</u>
2009	\$ 3,975,000	\$ 330,000	\$ -	\$ 330,000
2010	4,025,000	340,000	-	340,000
2011	1,420,000	100,000	-	100,000
2012 (a)	5,370,000	3,935,000	3,010,000	925,000
2012A (a)	4,520,000	4,020,000	3,540,000	480,000
2013	3,965,000	3,215,000	-	3,215,000
2013A (b)	3,350,000	2,650,000	-	2,650,000
2014 (a)	3,325,000	2,130,000	-	2,130,000
2014A (a)	3,220,000	2,805,000	-	2,805,000
2015 (a)	3,235,000	3,015,000	-	3,015,000
2016 (a)	7,145,000	7,055,000	-	7,055,000
Total	\$ 43,550,000	\$ 29,595,000	\$ 6,550,000	\$ 23,045,000
The Bonds				6,585,000
The Bonds and Remaining Outstanding Bonds				\$ 29,630,000

(a) Unlimited Tax Refunding Bonds.

(b) Unlimited Tax Park Bonds



**Debt Service Requirements**

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$6,550,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	(a)	Less: Debt Service on the Refunded Bonds	Debt Service on the Bonds			Total Debt Service Requirements
				Principal	Interest	Total	
2019	\$ 2,327,921.13		\$ 111,701.88	\$ -	\$ -	\$ -	\$ 2,216,219.25
2020	2,824,910.75		223,403.75	45,000	143,602.60	188,602.60	2,790,109.60
2021	2,799,904.25		393,403.75	215,000	131,656.25	346,656.25	2,753,156.75
2022	2,779,297.75		721,603.75	545,000	127,356.25	672,356.25	2,730,050.25
2023	2,751,628.75		721,453.75	555,000	116,456.25	671,456.25	2,701,631.25
2024	2,737,393.50		735,853.75	580,000	105,356.25	685,356.25	2,686,896.00
2025	2,733,528.75		738,466.25	595,000	93,756.25	688,756.25	2,683,818.75
2026	2,718,178.25		974,978.75	840,000	81,856.25	921,856.25	2,665,055.75
2027	2,703,759.00		970,872.50	855,000	65,056.25	920,056.25	2,652,942.75
2028	2,681,825.25		720,512.50	620,000	47,956.25	667,956.25	2,629,269.00
2029	2,657,642.50		722,962.50	635,000	35,556.25	670,556.25	2,605,236.25
2030	2,229,774.00		278,412.50	210,000	22,856.25	232,856.25	2,184,217.75
2031	1,541,718.75		280,775.00	215,000	18,656.25	233,656.25	1,494,600.00
2032	1,334,200.00		282,506.25	220,000	14,356.25	234,356.25	1,286,050.00
2033	1,027,343.75		283,900.00	225,000	9,956.25	234,956.25	978,400.00
2034	995,618.75		284,625.00	230,000	5,175.00	235,175.00	946,168.75
2035	513,743.75		-	-	-	-	513,743.75
2036	367,693.75		-	-	-	-	367,693.75
2037	366,693.75		-	-	-	-	366,693.75
<b>Total</b>	<b>\$ 38,092,776.38</b>		<b>\$ 8,445,431.88</b>	<b>\$ 6,585,000</b>	<b>\$ 1,019,608.85</b>	<b>\$ 7,604,608.85</b>	<b>\$ 37,251,953.35</b>

(a) Excludes the District's April 1, 2019 debt service payment in the amount of \$507,921.

Maximum Annual Debt Service Requirement (2020).....	\$2,790,110
Average Annual Debt Service Requirement (2020-2037).....	\$1,946,430

**Estimated Overlapping Debt**

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Montgomery County.....	\$ 522,350,000	6/30/2019	0.83%	\$ 4,335,505
Conroe Independent School District.....	1,207,585,000	6/30/2019	1.26%	15,215,571
Lone Star College System.....	609,845,000	6/30/2019	0.22%	1,341,659
Total Estimated Overlapping Debt.....				\$ 20,892,735
The District.....	29,630,000 *(a)	Current	100.00%	29,630,000
Total Direct and Estimated Overlapping Debt.....				\$ 50,522,735
Ratio of Estimated Direct and Overlapping Debt to the 2019 Taxable Assessed Valuation.....				11.26%

(a) The Bonds and the Remaining Outstanding Bonds.

**Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also 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 of the taxes levied for the 2018 tax year by all overlapping taxing jurisdictions and the anticipated 2019 tax rate of the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2018 Tax Rate per \$100 of Taxable Assessed Valuation
Montgomery County.....	\$ 0.46670
Montgomery Co. Hospital District.....	0.05990
Conroe Independent School District.....	1.28000
Lone Star College System.....	0.10780
Montgomery County ESD No. 8.....	0.10000
Total Overlapping Tax Rate.....	\$ 2.01440
The District (a).....	0.78500
Total Tax Rate.....	\$ 2.79940

(a) The District authorized publication of its intent to levy a total tax rate of \$0.785 per \$100 of taxable assessed valuation, of which \$0.605 per \$100 of taxable assessed valuation is allocated to debt service and \$0.180 per \$100 of taxable assessed valuation is allocated to maintenance and operations.

## TAX DATA

### Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Tax Rate Distribution” and “Tax Roll Information” herein.

### Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted November 5, 2002, and voters of the District authorized the Board, among other things, to levy a maintenance tax at a rate not to exceed \$1.25 per \$100 of taxable assessed valuation. Another maintenance tax election was conducted November 6, 2007, and voters of the District authorized the Board, among other things, to levy a maintenance tax for recreational facilities at a rate not to exceed \$0.10 per \$100 of taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

### Tax Exemptions

For the tax year 2019, the District has adopted an exemption of \$10,000 of the assessed value of residential homesteads of individuals who are sixty-five (65) years of age or older or disabled. See “TAXING PROCEDURES—Property Subject to Taxation by the District.”

### Tax Rate Distribution

	2019 (a)	2018	2017	2016	2015
Debt Service	\$0.605	\$0.630	\$0.640	\$0.640	\$0.680
Maintenance and Operations	0.180	0.170	0.160	0.130	0.160
Total	\$0.785	\$0.800	\$0.800	\$0.770	\$0.840

(a) The District authorized publication of its intent to levy a total tax rate of \$0.785 per \$100 of taxable assessed valuation, of which \$0.605 per \$100 of taxable assessed valuation is allocated to debt service and \$0.180 per \$100 of taxable assessed valuation is allocated to maintenance and operations.

### Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax experience of the District. Such table has been prepared for inclusion herein based upon information obtained from a report prepared by the Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” herein.

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections as of July 31, 2019 (c)	
				Amount	Percent
2014	\$ 379,254,715	\$ 0.93	\$ 3,527,069	\$3,521,576	99.84%
2015	413,685,104	0.84	3,474,955	3,470,988	99.89%
2016	429,781,531	0.77	3,309,318	3,303,918	99.84%
2017	424,706,944	0.80	3,397,656	3,389,984	99.77%
2018	426,531,169	0.80	3,412,249	3,396,558	99.54%

- (a) As certified by the Appraisal District. See “Tax Roll Information” herein for taxable assessed value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date of this OFFICIAL STATEMENT.
- (c) Unaudited.

**Tax Roll Information**

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2015 through 2019 Taxable Assessed Valuations. A breakdown of the uncertified portion is subject to review and downward adjustment and not included herein.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 47,937,140	\$ 50,916,040	\$ 50,876,410	\$ 51,078,590	\$ 50,690,610
Improvements	391,997,800	392,790,500	392,422,510	397,459,580	390,522,160
Personal Property	6,671,323	6,843,452	6,481,820	5,827,736	4,406,505
Exemptions	<u>(25,219,760)</u>	<u>(24,018,823)</u>	<u>(25,073,796)</u>	<u>(24,584,375)</u>	<u>(31,934,171)</u>
Certified Value	\$421,386,503	\$426,531,169	\$424,706,944	\$429,781,531	\$413,685,104
Uncertified Value	<u>27,487,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Value	<u>\$448,873,753</u>	<u>\$426,531,169</u>	<u>\$424,706,944</u>	<u>\$429,781,531</u>	<u>\$413,685,104</u>

**Principal Taxpayers**

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property’s taxable assessed value as a percentage of the certified portion (\$421,386,503) of the 2019 Taxable Assessed Valuation of \$448,873,753. This represents ownership as of January 1, 2019. A principal taxpayer list related to the uncertified portion (\$27,487,250) of the 2019 Taxable Assessed Valuation is not available.

<u>Taxpayer</u>	<u>2019 Certified Taxable Assessed Valuation</u>	<u>% of 2019 Certified Taxable Assessed Valuation</u>
Riley Fuzzel Road Property LLC	\$ 5,750,000	1.36%
Rio De La Plata Investments LLC	2,015,000	0.48%
CBGRAU Properties LLC	1,383,710	0.33%
Centerpoint Energy Houston Electric	1,328,900	0.32%
Individual	1,232,000	0.29%
Individual	777,000	0.18%
Centerpoint Energy Entex	705,100	0.17%
Individual	670,830	0.16%
Individual	629,130	0.15%
JPMRRE LLC	<u>566,350</u>	<u>0.13%</u>
Total	\$ 15,058,020	3.57%

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements on the Bonds and the Remaining Outstanding Bonds if no growth in the District’s tax base occurred beyond the 2019 Taxable Assessed Valuation of \$448,873,753 (consisting of \$421,386,503 of certified value and \$27,487,250 of uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in the taxable value in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2020-2037) .....	\$1,946,430
\$0.46 Tax Rate on the 2019 Taxable Assessed Valuation .....	\$1,961,578
Maximum Annual Debt Service Requirement (2020).....	\$2,790,110
\$0.66 Tax Rate on the 2019 Taxable Assessed Valuation .....	\$2,814,438

No representation or suggestion is made that the uncertified portion (\$27,487,250) of the 2019 Taxable Assessed Valuation provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.”

**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 has granted an exemption of \$25,000 of assessed valuation for persons 65 years of age and older and to individuals who are 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, effective January 1, 2018, (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, effective January 1, 2018, (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 taken official action to allow taxation of all such goods-in-transit personal property but may choose to exempt same in the future by further official action.

### **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 2019 tax year, the District has not granted a 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.

## **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, as of January 1, 2019, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

## **Tax Abatement**

The City of Houston and Montgomery County may designate all or part of the District as a reinvestment zone, and the District, Montgomery County, and (if it were to annex the area) the City of Houston, under certain circumstances, may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

## **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.

### **Rollback of Operation and Maintenance Tax Rate**

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the District in that year, subject to certain homestead exemptions. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date (as to those provisions discussed herein) of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "TAX DATA—Tax Rate Distribution" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts: Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions..



*The District:* A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

### **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 1 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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt." 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 with the District 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."

## **INVESTMENT CONSIDERATIONS**

### **General**

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

### **Hurricane Harvey**

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

According to the District's operator, the District's System sustained some damage but was returned to operation within 1 day. To the best knowledge of the District, approximately 50 homes and some commercial businesses within the District experienced water incursions.

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

### **Specific Flood Type Risks**

*River (or Fluvial) Flood:* 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 sheetflow overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

*Ponding (or Pluvial) Flood:* occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam or levee.

### **Tax Collection Limitations and Foreclosure Remedies**

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

### **Registered Owners' Remedies**

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 a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Beneficial Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

## **Bankruptcy Limitation to Registered Owners' Rights**

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, 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 such Beneficial Owner's claim against the District.

A district may not be placed into bankruptcy involuntarily.

## **Environmental and Air Quality 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 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) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act ("SDWA") and Environmental Protection Agency's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), 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.

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 nation-wide 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. Subsequently, on May 28, 2019, the U.S. District Court for the Southern District of Texas found that the CWR violated the notice-and-comment requirements of the Administrative Procedures Act, remanded the CWR to the EPA and USACE, and ordered that the preliminary injunction issued September 12, 2018, remain in place pending the proceedings on remand.

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. 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.

The TCEQ reissued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (TXR040000) on December 13, 2013. TXR040000 became effective on December 13, 2013 and authorizes the discharge of stormwater to surface waters within the state from small municipal separate storm sewer systems (“Small MS4s”). TXR040000, as reissued, impacts a much greater number of Small MS4s that were not subject to the prior permit due to the 2010 Urbanized Area data released from the US Census Bureau. TXR040000, as reissued, also contains more stringent requirements compared to the prior permit. Small MS4s that are subject to TXR040000, as reissued, were required to apply for authorization under such permit by June 11, 2014. The District is subject to the reissued permit and prepared the required plans and application in order to meet said deadline. The TCEQ issued a preliminary decision of approval on August 26, 2014, conditionally approving the application and comprehensive program manual. In order to gain approval for the program manual, the notice of approval was published as required. The District received final approval on November 12, 2014. The District will implement best management practices (BMPs) in accordance with the program manual. The permit authorization expired on December 13, 2018. The TCEQ is in the process of renewing the permit. Per the TCEQ, permittees will continue to operate under their current authorizations until issuance of the renewed general permit. As a result of these administrative tasks, the District could incur considerable costs to install and implement BMPs to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the reissued MS4 permit.

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

### **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$55,000,000 principal amount of unlimited tax bonds for acquiring or constructing water, sanitary sewer, and drainage facilities have been authorized by the District’s voters, of which \$16,550,000 principal amount remains authorized but unissued. Voters of the District have also authorized a total of \$6,500,000 principal amount of unlimited tax bonds for acquiring or constructing recreational facilities, of which \$3,150,000 principal amount remains authorized but unissued. The District’s voters have also authorized \$61,500,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District. After the issuance of the Bonds, the District will have \$59,264,132 principal amount of refunding bonds authorized but unissued for refunding outstanding bonds of the District. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. 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 appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds to finance water, wastewater, drainage, parks and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS—Issuance of Additional Debt,” “—Financing Recreational Facilities,” and “—Financing Road Facilities.”

### **Municipal Bond Insurance Risk Factors**

The District has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

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 description of “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” herein.

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

Neither the District nor the Underwriter has 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.

### **Marketability**

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

### **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.

### **Continuing Compliance with Certain Covenants**

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

## **NO MATERIAL ADVERSE CHANGE**

The obligations of the Underwriter to take and pay for the Bonds, and 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 the sale.

## NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant 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 of which the District has notice 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; 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.

## MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. The Bonds also have been assigned an underlying credit rating of "A2" by Moody's Investors Service ("Moody's") without regard to credit enhancement. An explanation of the ratings may be obtained from S&P and Moody's.

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

## MUNICIPAL BOND INSURANCE

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as 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](http://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](http://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 June 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$525 million, \$114 million and \$411 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](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/creditinsights/](http://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/](http://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.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited with the Escrow Agent, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds; (b) the mathematical computations of yield used by Special Tax Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes; and (c) compliance with the City of Houston Ordinance 97-416.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.



## LEGAL MATTERS

### Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal 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 Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District 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. 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 valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds 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. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel to the District, to the effect that interest on the Bonds is excludable from gross income of the owners for federal income tax purposes under existing law and not subject to the alternative minimum tax on individuals, or, except as described therein, corporations.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel and Special Tax Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton, L.L.P., Dallas, Texas.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### 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 "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 BONDS," "THE DISTRICT—General," "MANAGEMENT OF THE DISTRICT—District Consultants—Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS—Legal Opinions" (insofar as such section relates to the opinion of Bond Counsel) solely to determine whether such information fairly summarizes the law and documents referred to therein. In its capacity as Special Tax Counsel, McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, has reviewed the information appearing in this OFFICIAL STATEMENT under the caption "LEGAL MATTERS—Legal Opinions" (insofar as such section relates to the opinion of Special Tax Counsel) and "TAX MATTERS" solely to determine whether such information fairly summarizes the law referred to therein. Such firms have not independently verified factual information contained in this OFFICIAL STATEMENT, nor have such firms 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 firms' 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

### **Tax Exemption**

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

In rendering their opinion, Special Tax Counsel will rely upon (a) the opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate and the verification report prepared by Public Finance Partners LLC, and (c) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Bonds could be affected by future events. However, future events beyond the control of the District, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

The Underwriter has represented that the initial public offering price to be paid for certain maturities of the Bonds (the “Original Issue Discount Bonds”), as stated on the cover of the Official Statement, is less than the principal amount thereof. As such, 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.

Under Existing Law, such an 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 for which such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. **PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.**

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, 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, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals otherwise allowed an earned income credit. **THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION AND THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.**

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

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

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

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

## **Qualified Tax-Exempt Obligations**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(1)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

## **PREPARATION OF OFFICIAL STATEMENT**

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

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

### **Financial Advisor**

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **Consultants**

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

*Tax Assessor/Collector:* The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District’s assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Assessments of the Southwest, Inc. and is included herein in reliance upon the authority as an expert in assessing property values and collecting taxes.

*Engineer:* The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by Costello, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Auditor:* The financial statements of the District as of March 31, 2019, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund & Barfoot PLLC, as stated in their report appearing herein.

### **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 elects 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 the Underwriter 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 an ultimate customer.

### **Certification of Official Statement**

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain financial information and operating data and certain supplemental schedules, annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Financial Statements of the District). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2020.

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 the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

### **Specified Event Notices**

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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 to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other 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 other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Availability of Information from the MSRB**

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the registered owners of a majority in aggregate principal amount of the Outstanding Bonds consent or any person unaffiliated with the District (such as a 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 reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance With Prior Undertakings**

During the last five years, the District has complied in all material respects with its continuing disclosure undertakings in accordance with Rule 15(c)2-12, with the following exception.

Due to an administrative oversight, the District inadvertently omitted "TAX DATA" and "DEBT SERVICE REQUIREMENTS" from the 2016 filing. The District amended the March 31, 2016 Annual Report filing to include such sections on August 6, 2019, which was more than six months after the end of the District's March 31, 2016 fiscal year.

## MISCELLANEOUS

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

/s/ Jim Spitzmiller  
President, Board of Directors

ATTEST:

/s/ Joseph Frost  
Secretary, Board of Directors

**APPENDIX A**

**Financial Statements of the District for the fiscal year ended March 31, 2019**



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**MONTGOMERY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**MARCH 31, 2019**

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



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**

**MONTGOMERY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MARCH 31, 2019**



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# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

9600 Great Hills Trail  
Suite 150W  
Austin, Texas 78759  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Montgomery County Municipal  
Utility District No. 94  
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. 94 (the "District"), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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





## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

July 2, 2019



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2019**

Management's discussion and analysis of Montgomery County Municipal Utility District No. 94's (the "District") financial performance provides an overview of the District's financial activities for the year ended March 31, 2019. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2019**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$3,692,746 as of March 31, 2019.

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2019**

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

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 10,272,947	\$ 10,682,300	\$ (409,353)
Capital Assets (Net of Accumulated Depreciation)	<u>22,797,200</u>	<u>22,978,255</u>	<u>(181,055)</u>
Total Assets	<u>\$ 33,070,147</u>	<u>\$ 33,660,555</u>	<u>\$ (590,408)</u>
Deferred Outflows of Resources	\$ 1,179,159	\$ 1,285,915	\$ (106,756)
Bonds Payable	\$ 29,946,898	\$ 31,759,128	\$ 1,812,230
Other Liabilities	<u>609,662</u>	<u>477,175</u>	<u>(132,487)</u>
Total Liabilities	<u>\$ 30,556,560</u>	<u>\$ 32,236,303</u>	<u>\$ 1,679,743</u>
Net Position:			
Net Investment in Capital Assets	\$ (6,065,106)	\$ (6,775,209)	\$ 710,103
Restricted	4,165,842	4,289,022	(123,180)
Unrestricted	<u>5,592,010</u>	<u>5,196,354</u>	<u>395,656</u>
Total Net Position	<u>\$ 3,692,746</u>	<u>\$ 2,710,167</u>	<u>\$ 982,579</u>

The following table provides a summary of the District's operations for the year ended March 31, 2019, and March 31, 2018. The District's net position increased by \$982,579 during the year ended March 31, 2019.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,404,363	\$ 3,396,145	\$ 8,218
Charges for Services	2,008,199	2,023,602	(15,403)
Other Revenues	<u>202,198</u>	<u>86,915</u>	<u>115,283</u>
Total Revenues	<u>\$ 5,614,760</u>	<u>\$ 5,506,662</u>	<u>\$ 108,098</u>
Expenses for Services	<u>4,632,181</u>	<u>4,253,085</u>	<u>(379,096)</u>
Change in Net Position	\$ 982,579	\$ 1,253,577	\$ (270,998)
Net Position, Beginning of Year	<u>2,710,167</u>	<u>1,456,590</u>	<u>1,253,577</u>
Net Position, End of Year	<u>\$ 3,692,746</u>	<u>\$ 2,710,167</u>	<u>\$ 982,579</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2019**

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

The District's combined fund balances as of March 31, 2019, were \$9,537,473, a decrease of \$550,072 from the prior year.

The General Fund fund balance increased by \$407,315, primarily due to property tax and service revenues exceeding operating and capital costs and a transfer of funds from the Capital Projects Fund to reimburse construction costs.

The Debt Service Fund fund balance decreased by \$128,517, primarily due to the structure of the District's outstanding long-term debt.

The Capital Projects Fund fund balance decreased by \$828,870 primarily due to the use of surplus bond proceeds for repairs and maintenance projects.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year. Actual revenues were \$62,199 more than budgeted revenues, primarily due to higher property tax, wastewater service and investment revenues than anticipated. Actual expenditures were less than budgeted expenditures by \$49,989, primarily due to lower than anticipated costs across all categories with the exception of purchased wastewater, repairs and maintenance and miscellaneous costs.

**CAPITAL ASSETS**

Capital assets as of March 31, 2019, total \$22,797,200 (net of accumulated depreciation) and include land and land improvements, construction in progress, the water, wastewater and drainage systems, capacity in joint wastewater facilities, recreational facilities and landscaping improvements.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 163,987	\$ 163,987	\$
Construction in Progress	55,756	9,089	46,667
Capital Assets, Net of Accumulated Depreciation:			
Water, Wastewater and Drainage Systems	18,444,558	18,467,821	(23,263)
Equipment	94,496	103,086	(8,590)
Generator Capital Lease	161,850	174,300	(12,450)
Capacity in Joint Wastewater Facilities	1,827,859	1,881,175	(53,316)
Recreational Facilities	787,785	827,826	(40,041)
Landscaping Improvements	1,260,909	1,350,971	(90,062)
Total Net Capital Assets	\$ 22,797,200	\$ 22,978,255	\$ (181,055)

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2019**

**LONG-TERM DEBT ACTIVITY**

As of March 31, 2019, the District had total bond debt payable of \$29,595,000. The changes in the debt position of the District during the fiscal year ended March 31, 2019, are summarized as follows:

Bond Debt Payable, April 1, 2018		\$ 31,390,000
Less: Bond Principal Paid		<u>1,795,000</u>
Bond Debt Payable, March 31, 2019		<u>\$ 29,595,000</u>

The District maintains an underlying rating of “BBB+” from Standard and Poor’s on all outstanding bonds with the exception of the Series 2015 Refunding and Series 2016 Refunding bonds. The Series 2015 Refunding bonds do not carry an underlying rating. The Series 2016 Refunding bonds carry an underlying rating of “A3” from Moody’s. The Series 2009 bonds carry an insured rating of “AA” from Standard and Poor’s by virtue of bond insurance issued by Assured Guaranty Corp. The Series 2010, Series 2011, Series 2012 Refunding, 2012A Refunding and Series 2016 Refunding bonds carry an insured rating of “AA” from Standard and Poor’s by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2013, Series 2013A, Series 2014 Refunding and 2014A Refunding bonds carry insured ratings of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2015 Refunding bonds do not carry an insured rating. The above ratings are as of March 31, 2019 and reflect all rating changes of the bond insurers through the fiscal year-end.

The changes in the capital lease payable during the fiscal year ended March 31, 2019, are summarized as follows:

Capital Lease Payable, April 1, 2018		\$ 165,979
Less: Principal Payments Capital Lease		<u>14,554</u>
Capital Lease Payable, March 31, 2019		<u>\$ 151,425</u>

**CONTACTING THE DISTRICT’S MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Municipal Utility District No. 94, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056-3078.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**MARCH 31, 2019**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 258,052	\$ 200,271
Investments	5,207,034	3,885,830
Receivables:		
Property Taxes	19,627	78,341
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$30,000)	243,818	
Other	26,500	
Due from Other Funds	68,079	
Prepaid Costs		
Advance for Wastewater Treatment		
Plants Operations	57,849	
Land and Land Improvements		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 5,880,959</b>	<b>\$ 4,164,442</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 5,880,959</b>	<b>\$ 4,164,442</b>

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



Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 18,721	\$ 477,044	\$	\$ 477,044
97,635	9,190,499		9,190,499
	97,968		97,968
		20,732	20,732
	243,818		243,818
	26,500		26,500
	68,079	(68,079)	
		158,537	158,537
	57,849		57,849
		163,987	163,987
		55,756	55,756
		22,577,457	22,577,457
<u>\$ 116,356</u>	<u>\$ 10,161,757</u>	<u>\$ 22,908,390</u>	<u>\$ 33,070,147</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,179,159</u>	<u>\$ 1,179,159</u>
<u>\$ 116,356</u>	<u>\$ 10,161,757</u>	<u>\$ 24,087,549</u>	<u>\$ 34,249,306</u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**MARCH 31, 2019**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 337,889	\$
Due to Other Funds		8,581
Due to Taxpayers		10,751
Security Deposits	109,597	
Obligations Under Capital Lease:		
Due Within One Year		
Due After One Year		
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
	<u>\$ 447,486</u>	<u>\$ 19,332</u>
<b>TOTAL LIABILITIES</b>		
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 19,627	\$ 78,341
	<u>\$ 19,627</u>	<u>\$ 78,341</u>
<b>FUND BALANCES</b>		
Nonspendable:		
For Wastewater Treatment Plants		
Operations	\$ 57,849	\$
Restricted for:		
Authorized Construction		
Debt Service		4,066,769
Unassigned	5,355,997	
	<u>\$ 5,413,846</u>	<u>\$ 4,066,769</u>
<b>TOTAL FUND BALANCES</b>		
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 5,880,959</u>	<u>\$ 4,164,442</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 59,498	\$ 337,889	\$	\$ 337,889
	68,079	(68,079)	
	10,751		10,751
	109,597		109,597
		16,029	16,029
		135,396	135,396
		1,820,000	1,820,000
		28,126,898	28,126,898
<u>\$ 59,498</u>	<u>\$ 526,316</u>	<u>\$ 30,030,244</u>	<u>\$ 30,556,560</u>
<u>\$ -0-</u>	<u>\$ 97,968</u>	<u>\$ (97,968)</u>	<u>\$ -0-</u>
\$	\$ 57,849	\$ (57,849)	\$
56,858	56,858	(56,858)	
	4,066,769	(4,066,769)	
	5,355,997	(5,355,997)	
<u>\$ 56,858</u>	<u>\$ 9,537,473</u>	<u>\$ (9,537,473)</u>	<u>\$ -0-</u>
<u>\$ 116,356</u>	<u>\$ 10,161,757</u>		
		\$ (6,065,106)	\$ (6,065,106)
		4,165,842	4,165,842
		5,592,010	5,592,010
		<u>\$ 3,692,746</u>	<u>\$ 3,692,746</u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**MARCH 31, 2019**

Total Fund Balances - Governmental Funds	\$ 9,537,473
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	22,797,200
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter. The District also amortizes prepaid bond insurance over the term of the bonds.	1,337,696
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.	118,700
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Capital Lease Payable	\$ (151,425)	
Bonds Payable	<u>(29,946,898)</u>	<u>(30,098,323)</u>

Total Net Position - Governmental Activities	<u>\$ 3,692,746</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>		
Property Taxes	\$ 722,363	\$ 2,679,363
Water Service	513,154	
Wastewater Service	902,031	
Water Authority Fees	538,084	
Penalty and Interest	37,168	13,288
Tap Connection and Inspection Fees	525	
Investment Revenues	108,249	78,973
Miscellaneous Revenues	3,895	
<b>TOTAL REVENUES</b>	<u>\$ 2,825,469</u>	<u>\$ 2,771,624</u>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 126,595	\$ 3,393
Contracted Services	800,238	55,850
Purchased Wastewater Service	286,745	
Utilities	208,933	
Water Authority Assessments	562,233	
Repairs and Maintenance	398,702	
Depreciation		
Other	159,152	3,691
Capital Outlay	60,036	
Debt Service:		
Capital Lease Principal	14,554	
Capital Lease Interest	15,446	
Bond Principal		1,795,000
Bond Interest		1,042,207
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 2,632,634</u>	<u>\$ 2,900,141</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<u>\$ 192,835</u>	<u>\$ (128,517)</u>
<b>OTHER FINANCING SOURCES</b>		
Transfers In(Out)	<u>\$ 214,480</u>	<u>\$ -0-</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 407,315	\$ (128,517)
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - APRIL 1, 2018</b>	<u>5,006,531</u>	<u>4,195,286</u>
<b>FUND BALANCES/NET POSITION - MARCH 31, 2019</b>	<u>\$ 5,413,846</u>	<u>\$ 4,066,769</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 3,401,726	\$ 2,637	\$ 3,404,363
	513,154		513,154
	902,031		902,031
	538,084		538,084
	50,456	3,949	54,405
	525		525
11,081	198,303		198,303
	3,895		3,895
<u>\$ 11,081</u>	<u>\$ 5,608,174</u>	<u>\$ 6,586</u>	<u>\$ 5,614,760</u>
\$ 5,099	\$ 135,087		\$ 135,087
	856,088		856,088
	286,745		286,745
	208,933		208,933
	562,233		562,233
59,498	458,200		458,200
		801,897	801,897
68	162,911		162,911
560,806	620,842	(620,842)	
	14,554	(14,554)	
	15,446		15,446
	1,795,000	(1,795,000)	
	1,042,207	102,434	1,144,641
<u>\$ 625,471</u>	<u>\$ 6,158,246</u>	<u>\$ (1,526,065)</u>	<u>\$ 4,632,181</u>
<u>\$ (614,390)</u>	<u>\$ (550,072)</u>	<u>\$ 1,532,651</u>	<u>\$ 982,579</u>
<u>\$ (214,480)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ (828,870)	\$ (550,072)	\$ 550,072	\$
		982,579	982,579
885,728	10,087,545	(7,377,378)	2,710,167
<u>\$ 56,858</u>	<u>\$ 9,537,473</u>	<u>\$ (5,844,727)</u>	<u>\$ 3,692,746</u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2019**

Net Change in Fund Balances - Governmental Funds \$ (550,072)

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

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. 2,637

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. 3,949

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (801,897)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 620,842

Governmental funds report bond principal payments and capital lease payments as expenditures. However, in the Statement of Net Position, bond principal payments and capital lease payments are reported as decreases in long-term liabilities. 1,809,554

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (102,434)

Change in Net Position - Governmental Activities \$ 982,579

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



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 1. CREATION OF DISTRICT**

Montgomery County Municipal Utility District No. 94 (the “District”) was created effective September 11, 2002, by an Order of the Texas Natural Resource Conservation Commission, predecessor to the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to establish, operate and maintain a fire department to perform all fire-fighting activities within the District subject to the receipt of certain approvals from the Commission and voters within the District. The Board of Directors held its first meeting on September 12, 2002, and sold its first series of bonds on October 7, 2003.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

The District has entered into an agreement with Montgomery County Municipal Utility District No. 119 (“MUD 119”) for the operation of a wastewater treatment plant. Oversight of the plant is provided by MUD 119. Additional disclosure concerning this agreement is provided in Note 9. The plant’s financial information is included in the financial statements for MUD 119. Copies of the financial statements can be obtained from the District’s attorney.

The District has also entered into an agreement with Harris County Water Control and Improvement District No. 92 (“WCID 92”) for the operation of a wastewater treatment plant. Oversight of the plant is provided by WCID 92. Additional disclosure concerning this agreement is provided in Note 9. The plant’s financial information is included in the financial statements for WCID 92. Copies of the financial statements can be obtained from the District’s auditor.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

Financial Statement Presentation

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

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

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

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

Government-Wide Financial Statements

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

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collected within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due. The District has applied a current accounting standard that provides for an exception to the basic concept that general long-term indebtedness is not reported as an expenditure until the amount becomes due and payable. This exception allows the District to record the April 1, 2019, debt service payments as expenditures during the current fiscal year.

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. At March 31, 2019, the Debt Service Fund owed the General Fund \$8,581 for maintenance tax collections and Capital Projects Fund owed the General Fund \$59,498 for repairs and maintenance costs. During the current fiscal year, the Capital Projects fund transferred \$214,480 to the General Fund for outfall channel repairs paid by the General Fund in the prior fiscal year. See Note 13.

Service Accounts Receivable

The District provides for uncollectible accounts receivable through the allowance method of accounting. Under this method a provision for uncollectible accounts is charged to bad debt expense, and the allowance account is increased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the account. At March 31, 2019, allowances of \$30,000 were provided for possible uncollected accounts.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life of two years or more. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

Capital Assets (Continued)

Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20
Capacity in Joint Wastewater Facilities	45
Recreational Facilities	10-50
Landscaping Improvements	20

Budgeting

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

Pensions

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

Measurement Focus

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

Measurement Focus (Continued)

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

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

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

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

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

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

Accounting Estimates

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2009</u>	<u>Series 2010</u>	<u>Series 2011</u>	
Amount Outstanding – March 31, 2019	\$ 330,000	\$ 340,000	\$ 100,000	
Interest Rates	4.00%	4.125%	3.75%	
Maturity Dates – Serially Beginning/Ending	October 1, 2019/2020	October 1, 2019/2020	October 1, 2019/2020	
Interest Payment Dates	October 1/ April 1	October 1/ April 1	October 1/ April 1	
Callable Dates	October 1, 2018*	October 1, 2018*	October 1, 2018*	
	<u>Refunding Series 2012</u>	<u>Refunding Series 2012A</u>	<u>Series 2013</u>	<u>Series 2013A</u>
Amount Outstanding – March 31, 2019	\$ 3,935,000	\$ 4,020,000	\$ 3,215,000	\$ 2,650,000
Interest Rates	2.25% - 4.00%	2.50% - 3.50%	3.00% - 4.625%	3.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	October 1, 2019/2029	October 1, 2019/2034	October 1, 2019/2037	October 1, 2019/2037
Interest Payment Dates	October 1/ April 1	October 1/ April 1	October 1/ April 1	October 1/ April 1
Callable Dates	October 1, 2019*	October 1, 2019*	October 1, 2023*	October 1, 2023*

\* Or any date thereafter as a whole or in part, at par plus interest accrued to the date of redemption. Series 2009 term bonds maturing October 1, 2020 are subject to mandatory redemption beginning October 1, 2018. Series 2012A Refunding term bonds maturing on October 1, 2030, 2032 and 2034, are subject to mandatory redemption beginning October 1, 2029, 2031 and 2033, respectively. Series 2013 term bonds maturing on October 1, 2025, 2027, 2029, 2031, 2034 and 2037, are subject to mandatory redemption beginning October 1, 2024, 2026, 2028, 2030, 2032 and 2035, respectively. Series 2013A term bonds maturing on October 1, 2021, 2023, 2025, 2027, 2029, 2031, 2034 and 2037, are subject to mandatory redemption beginning October 1, 2019, 2022, 2024, 2026, 2028, 2030, 2032 and 2035, respectively.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

	Refunding Series 2014	Refunding Series 2014A	Refunding Series 2015	Refunding Series 2016
Amount Outstanding – March 31, 2019	\$ 2,130,000	\$ 2,805,000	\$ 3,015,000	\$ 7,055,000
Interest Rates	2.25% - 4.00%	3.00% - 3.625%	2.715%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	October 1, 2019/2025	October 1, 2019/2030	October 1, 2019/2030	October 1, 2019/2035
Interest Payment Dates	October 1/ April 1	October 1/ April 1	October 1/ April 1	October 1/ April 1
Callable Dates	October 1, 2020*	October 1, 2021*	October 1, 2020*	October 1, 2024*

\* Or any date thereafter as a whole or in part, at par plus interest accrued to the date of redemption.

The following is a summary of transactions regarding bonds payable for the year ended March 31, 2019:

	April 1, 2018	Additions	Retirements	March 31, 2019
Bonds Payable	\$ 31,390,000	\$	\$ 1,795,000	\$ 29,595,000
Unamortized Discounts	(296,182)		(19,732)	(276,450)
Unamortized Premiums	665,310		36,962	628,348
Total Bonds Payable, Net	<u>\$ 31,759,128</u>	<u>\$ -0-</u>	<u>\$ 1,812,230</u>	<u>\$ 29,946,898</u>
			Amount Due Within One Year	\$ 1,820,000
			Amount Due After One Year	28,126,898
			Total Bonds Payable, Net	<u>\$ 29,946,898</u>

As of March 31, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,820,000	\$ 990,375	\$ 2,810,375
2021	1,860,000	937,406	2,797,406
2022	1,890,000	884,600	2,774,600
2023	1,920,000	832,963	2,752,963
2024	1,945,000	777,012	2,722,012
2025-2029	10,530,000	2,862,311	13,392,311
2030-2034	7,580,000	1,064,664	8,644,664
2035-2038	2,050,000	148,441	2,198,441
	<u>\$ 29,595,000</u>	<u>\$ 8,497,772</u>	<u>\$ 38,092,772</u>



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

As of March 31, 2019, the District had authorized but unissued water, sewer and drainage bonds of \$16,550,000, park bonds of \$3,150,000, and refunding bonds of \$59,305,496.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. During the ended March 31, 2019, the District levied an ad valorem debt service tax rate of \$0.63 per \$100 of assessed valuation, which resulted in a tax levy of \$2,687,432 on the adjusted taxable valuation of \$426,576,557 for the 2018 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the costs of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

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

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

The bond order states that the District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information, along with the audited annual financial statements, is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$477,044 and the bank balance was \$481,520. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet at March 31, 2019, as listed below:

	Cash
GENERAL FUND	\$ 258,052
DEBT SERVICE FUND	200,271
CAPITAL PROJECTS FUND	18,721
TOTAL DEPOSITS	\$ 477,044

Investments

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District also invest in Texas Cooperative Liquid Assets Securities System (“Texas CLASS”). Texas CLASS is a public funds investment pool which has operated since 1996. The public seeks to provide safety, liquidity, convenience and competitive rates of return for Texas public sector investors such as municipal utility districts. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. Texas CLASS meets the criteria established in GASB Statement No. 79 and measures portfolio assets at amortized cost. As a result, the District also measures its investments in Texas CLASS at amortized costs for financial reporting purposes. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of March 31, 2019, the District has the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 5,207,034	\$ 5,207,034
<u>DEBT SERVICE FUND</u>		
Texas CLASS	3,885,830	3,885,830
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	97,635	97,635
<b>TOTAL INVESTMENTS</b>	<b>\$ 9,190,499</b>	<b>\$ 9,190,499</b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2019, the District’s investment in Texas CLASS was rated AAAM by Standard and Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

Restrictions

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

All cash and investments of the Capital Projects Fund are restricted for the purchase or rehabilitation of capital assets.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2019:

	April 1, 2018	Increases	Decreases	March 31, 2019
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 163,987	\$	\$	\$ 163,987
Construction in Progress	9,089	620,842	574,175	55,756
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 173,076</b>	<b>\$ 620,842</b>	<b>\$ 574,175</b>	<b>\$ 219,743</b>
<b>Capital Assets Subject to Depreciation</b>				
Water, Wastewater and Drainage Systems	\$ 26,522,919	\$ 574,175	\$	\$ 27,097,094
Equipment	171,806			171,806
Generator Capital Lease	249,000			249,000
Capacity in Joint Wastewater Facilities	2,399,233			2,399,233
Recreational Facilities	1,028,031			1,028,031
Landscaping Improvements	1,801,281			1,801,281
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 32,172,270</b>	<b>\$ 574,175</b>	<b>\$ -0-</b>	<b>\$ 32,746,445</b>
<b>Accumulated Depreciation</b>				
Water, Wastewater and Drainage Systems	\$ 8,055,098	\$ 597,438	\$	\$ 8,652,536
Equipment	68,720	8,590		77,310
Generator Capital Lease	74,700	12,450		87,150
Capacity in Joint Wastewater Facilities	518,058	53,316		571,374
Recreational Facilities	200,205	40,041		240,246
Landscaping Improvements	450,310	90,062		540,372
<b>Total Accumulated Depreciation</b>	<b>\$ 9,367,091</b>	<b>\$ 801,897</b>	<b>\$ -0-</b>	<b>\$ 10,168,988</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 22,805,179</b>	<b>\$ (227,722)</b>	<b>\$ -0-</b>	<b>\$ 22,577,457</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 22,978,255</b>	<b>\$ 393,120</b>	<b>\$ 574,175</b>	<b>\$ 22,797,200</b>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 7. MAINTENANCE TAX**

On November 5, 2002, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.25 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s waterworks and wastewater system. During the year ended March 31, 2019, the District levied an ad valorem maintenance tax rate of \$0.17 per \$100 of assessed valuation, which resulted in a tax levy of \$725,181 on the adjusted taxable valuation of \$426,576,557 for the 2018 tax year.

**NOTE 8. CAPITAL LEASE - GENERATOR**

On March 6, 2012, the District entered into a capital lease agreement for an emergency generator system at its water plant. The lease is for a 20-year term. Total expenditures on the lease for the fiscal year ended March 31, 2019 were \$30,000, which includes principal and interest components. The capital asset acquired under this lease is included in the District’s capital assets schedule.

Future minimum lease payments under the capital lease as of March 31, 2019 are as follows:

Year	Principal	Interest	Total
2020	\$ 16,029	\$ 13,971	\$ 30,000
2021	17,652	12,348	30,000
2022	18,441	10,559	29,000
2023	8,763	9,237	18,000
2024	9,650	8,350	18,000
2025-2029	51,262	26,238	77,500
2030-2032	29,628	4,372	34,000
Total	\$ 151,425	\$ 85,075	\$ 236,500

**NOTE 9. WASTE DISPOSAL AGREEMENTS**

On December 19, 2007, the District and Montgomery County Municipal Utility District No. 119 (“MUD 119”) entered into a Waste Disposal Agreement, as subsequently amended on September 23, 2008, November 7, 2011, January 1, 2014 and May 10, 2016 (the “Agreement”). The purpose of the Agreement is to establish the terms and conditions under which the District and MUD 119 will jointly construct and operate a permanent wastewater treatment plant (the “Plant”).

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 9. WASTE DISPOSAL AGREEMENTS (Continued)**

As of March 31, 2019, the District owns 28.8% of the Plant and MUD 119 owns 71.2%. Operation and maintenance costs are shared between the District and MUD 119 on a pro rata basis and are billed monthly. During the current fiscal year, the District paid MUD 119, which serves as operating district, \$240,036 for monthly operating costs for the plant and \$41,120 for capital costs.

In order for the operating district to have funds available to make timely payments of all expenditures, each District was billed a portion of a two-month operating reserve based on the number of actual or projected number of active connections. If the operating district determines that the reserve is not sufficient to pay for the operation and maintenance expenditures on a timely basis, the operating reserve may be increased up to a maximum number of four months calculated and paid in the same manner as above. The District's portion of the operating reserve is \$38,606.

The financial activities of the plant as of June 30, 2018, and for the year then ended are as follows:

Total Assets	\$ 79,185
Total Liabilities	<u>74,178</u>
Total Fund Balance	<u>\$ 5,007</u>
Total Revenues	\$ 898,610
Total Expenditures	<u>898,610</u>
Net Change in Fund Balance	\$ -0-
Fund Balance – July 1, 2017	<u>5,007</u>
Fund Balance – June 30, 2018	<u>\$ 5,007</u>

On October 1, 2001, District entered into an agreement with Harris County Water Control and Improvement District No. 92 (“WCID 92”) for the lease and purchase of wastewater treatment capacity. The District constructed a wastewater collection system to connect to WCID 92’s plant in order to serve its customers. Pursuant to the agreement, the District pays WCID 92 a monthly operations fee based on the District’s percentage of ownership. During the current year, the District recorded \$46,709 in purchased wastewater services related to this agreement. As of March 31, 2019, the District has paid an operating and maintenance reserve to WCID 92 in the amount of \$19,243.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 9. WASTE DISPOSAL AGREEMENTS (Continued)**

The financial activities of the plant as of December 31, 2018, and for the year then ended are as follows:

Total Assets	\$	74,214
Total Liabilities		<u>25,237</u>
Total Fund Balance	\$	<u>48,977</u>
Total Revenues	\$	279,023
Total Expenditures		<u>279,023</u>
Net Change in Fund Balance	\$	-0-
Fund Balance – January 1, 2018		<u>48,977</u>
Fund Balance – December 31, 2018	\$	<u>48,977</u>

**NOTE 10. RISK MANAGEMENT**

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

**NOTE 11. LONE STAR GROUNDWATER CONSERVATION DISTRICT**

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

A nine-member board of directors governs the Conservation District. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 49.055 of the Water Code. The Conservation District charges production fees based on the amount of water authorized by permit to be withdrawn from a well. This fee enables the Conservation District to fulfill its purpose and regulatory functions. The current permit fee is \$0.105 per 1,000 gallons of water pumped from each well.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 12. SAN JACINTO RIVER AUTHORITY**

The District has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the "Authority"). The Authority operates within the boundaries of the Lone Star Conservation District ("the Conservation District"). See Note 11. The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. A surface water treatment and transmission system is proposed to be designed, constructed, operated, and maintained by the Authority in order to provide phased treatment, transmission, and delivery of the Authority's surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater. The Authority will develop a Groundwater Reduction Plan (the "GRP") for all participants. The Authority charges a fee, currently \$2.64 per 1,000 gallons for groundwater used and \$2.83 per 1,000 gallons for surface water used. This fee enables the Authority to achieve, maintain and implement the GRP. The terms of this contract expire on December 31, 2045. During the current fiscal year, the District recorded expenditures of \$562,233 for groundwater used.

**NOTE 13. USE OF SURPLUS FUNDS**

In accordance with Rule 30 T.A.C. 293.83(c)(3) of the Commission, the District approved the use of surplus Capital Projects Fund monies in the amount of \$884,828 to pay the cost of outfall channel maintenance and repairs, emergency repair of offsite water line and force main and repair of water well no. 2. The outfall channel maintenance project was completed in the prior fiscal year and the other two projects were completed in the current fiscal year.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**

**REQUIRED SUPPLEMENTARY INFORMATION**

**MARCH 31, 2019**



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 651,322	\$ 722,363	\$ 71,041
Water Service	553,883	513,154	(40,729)
Wastewater Service	891,162	902,031	10,869
Water Authority Fees	566,306	538,084	(28,222)
Penalty and Interest	43,121	37,168	(5,953)
Tap Connection and Inspection Fees	979	525	(454)
Investment Revenues	50,400	108,249	57,849
Miscellaneous Revenues	6,097	3,895	(2,202)
<b>TOTAL REVENUES</b>	<b>\$ 2,763,270</b>	<b>\$ 2,825,469</b>	<b>\$ 62,199</b>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 134,777	\$ 126,595	\$ 8,182
Contracted Services	862,610	800,238	62,372
Purchased Wastewater Service	265,836	286,745	(20,909)
Utilities	219,523	208,933	10,590
Water Authority Assessments	638,615	562,233	76,382
Repairs and Maintenance	308,656	398,702	(90,046)
Other	141,106	159,152	(18,046)
Capital Lease, Principal and Interest	36,500	30,000	6,500
Capital Outlay	75,000	60,036	14,964
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,682,623</b>	<b>\$ 2,632,634</b>	<b>\$ 49,989</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 80,647</b>	<b>\$ 192,835</b>	<b>\$ 112,188</b>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In (Out)	\$ -0-	\$ 214,480	\$ 214,480
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 80,647</b>	<b>\$ 407,315</b>	<b>\$ 326,668</b>
<b>FUND BALANCE - APRIL 1, 2018</b>	<b>5,006,531</b>	<b>5,006,531</b>	
<b>FUND BALANCE - MARCH 31, 2019</b>	<b>\$ 5,087,178</b>	<b>\$ 5,413,846</b>	<b>\$ 326,668</b>

The accompanying independent auditor's report.

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**MARCH 31, 2019**



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
SERVICES AND RATES  
FOR THE YEAR ENDED MARCH 31, 2019**

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

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

**2. RETAIL SERVICE PROVIDERS**

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

Based on the rate order effective January 1, 2019.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$22.50	10,000	N	\$1.00 \$1.25 \$1.50	10,001 to 15,000 15,001 to 20,000 Over 20,001
WASTEWATER:	\$44.56		Y		
SURCHARGE:					
San Jacinto River Authority Fee	\$2.74 per 1,000 gallons				

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

Total monthly charges per 10,000 gallons usage: Water: \$22.50 Wastewater: \$44.56 Surcharge: \$27.40 Total: \$94.46

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
SERVICES AND RATES  
FOR THE YEAR ENDED MARCH 31, 2019**

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

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ <sup>3</sup> / <sub>4</sub> "	<u>1,670</u>	<u>1,666</u>	x 1.0	<u>1,666</u>
1"	<u>40</u>	<u>40</u>	x 2.5	<u>100</u>
1½"			x 5.0	
2"	<u>16</u>	<u>16</u>	x 8.0	<u>128</u>
3"	<u>2</u>	<u>2</u>	x 15.0	<u>30</u>
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>1,728</u></u>	<u><u>1,724</u></u>		<u><u>1,924</u></u>
Total Wastewater Connections	<u><u>1,707</u></u>	<u><u>1,703</u></u>	x 1.0	<u><u>1,703</u></u>

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

Water Accountability Ratio: 98.2%  
(Gallons billed /Gallons pumped)

Gallons pumped in system: 203,074,000

Gallons billed to customers: 199,467,000

See accompanying independent auditor's report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
SERVICES AND RATES  
FOR THE YEAR ENDED MARCH 31, 2019**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County or Counties in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ in which the District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED MARCH 31, 2019**

PROFESSIONAL FEES:	
Auditing	\$ 11,750
Engineering	26,996
Legal	87,849
TOTAL PROFESSIONAL FEES	<u>\$ 126,595</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Wastewater Service	<u>\$ 286,745</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 19,106
Operations and Billing	58,463
TOTAL CONTRACTED SERVICES	<u>\$ 77,569</u>
UTILITIES -	
Electricity	\$ 202,945
Telephone	5,988
TOTAL UTILITIES	<u>\$ 208,933</u>
REPAIRS AND MAINTENANCE	<u>\$ 398,702</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 10,500
Election Costs	1,583
Insurance	31,772
Office Supplies and Postage	39,919
Payroll Administration	2,395
Payroll Taxes	803
Travel and Meetings	2,419
Other	16,737
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 106,128</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED MARCH 31, 2019**

CAPITAL OUTLAY	\$ <u>60,036</u>
SOLID WASTE DISPOSAL	\$ <u>385,220</u>
SECURITY	\$ <u>337,449</u>
<b>OTHER EXPENDITURES:</b>	
Chemicals	\$ 15,264
Laboratory Fees	3,491
Permit Fees	4,223
Reconnection Fees	10,219
Inspection Fees	1,080
Regulatory Assessment	7,762
Sludge Hauling	6,365
Water Authority Assessments	562,233
Other	<u>4,620</u>
TOTAL OTHER EXPENDITURES	\$ <u>615,257</u>
<b>DEBT SERVICE:</b>	
Capital Lease Principal	\$ 14,554
Capital Lease Interest	<u>15,446</u>
TOTAL DEBT SERVICE	\$ <u>30,000</u>
TOTAL EXPENDITURES	<u>\$ 2,632,634</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**INVESTMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 5,207,034	\$ -0-
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 3,885,830	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 97,635	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 9,190,499</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2018	\$	18,378	\$	76,953
Adjustments to Beginning				
Balance		<u>(1,569)</u>	\$	<u>70,272</u>
Original 2018 Tax Levy	\$	725,157	\$	2,687,346
Adjustment to 2018 Tax Levy		<u>24</u>	<u>725,181</u>	<u>2,687,432</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	741,990	\$
				2,757,704
TAX COLLECTIONS:				
Prior Years	\$	9,040	\$	35,874
Current Year		<u>713,323</u>	<u>722,363</u>	<u>2,643,489</u>
				<u>2,679,363</u>
TAXES RECEIVABLE -				
MARCH 31, 2019		<u>\$</u>	<u>19,627</u>	<u>\$</u>
				<u>78,341</u>
TAXES RECEIVABLE BY				
YEAR:				
2018	\$	11,858	\$	43,943
2017		1,879		7,514
2016		912		4,488
2015		768		3,265
2014		1,063		4,430
2013		651		2,636
2012		623		2,805
2011		835		2,940
2010		375		1,365
2009		336		1,521
2008		163		1,793
2007		<u>164</u>		<u>1,641</u>
TOTAL	\$	<u>19,627</u>	\$	<u>78,341</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 50,916,040	\$ 50,876,410	\$ 51,078,590	\$ 50,690,610
Improvements	392,790,490	392,422,510	397,522,770	390,522,160
Personal Property	6,553,646	6,310,291	5,666,423	4,406,505
Exemptions	<u>(23,683,619)</u>	<u>(24,759,052)</u>	<u>(24,374,691)</u>	<u>(31,766,191)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u><u>\$ 426,576,557</u></u>	<u><u>\$ 424,850,159</u></u>	<u><u>\$ 429,893,092</u></u>	<u><u>\$ 413,853,084</u></u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.63	\$ 0.64	\$ 0.64	\$ 0.68
Maintenance	<u>0.17</u>	<u>0.16</u>	<u>0.13</u>	<u>0.16</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u><u>\$ 0.80</u></u>	<u><u>\$ 0.80</u></u>	<u><u>\$ 0.77</u></u>	<u><u>\$ 0.84</u></u>
<b>ADJUSTED TAX LEVY*</b>	<u><u>\$ 3,412,613</u></u>	<u><u>\$ 3,398,801</u></u>	<u><u>\$ 3,310,177</u></u>	<u><u>\$ 3,476,366</u></u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u><u>98.36 %</u></u>	<u><u>99.72 %</u></u>	<u><u>99.84 %</u></u>	<u><u>99.88 %</u></u>

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

Maintenance Tax – Maximum tax rate of \$1.25 per \$100 of assessed valuation approved by voters on November 5, 2002.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
LONG-TERM DEBT SERVICE REQUIREMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

S E R I E S - 2 0 0 9			
Due During Fiscal Years Ending March 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2020	\$ 165,000	\$ 9,900	\$ 174,900
2021	165,000	3,300	168,300
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	\$ 330,000	\$ 13,200	\$ 343,200

The District records the amount due April 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
LONG-TERM DEBT SERVICE REQUIREMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

S E R I E S - 2 0 1 0			
Due During Fiscal Years Ending March 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2020	\$ 170,000	\$ 10,519	\$ 180,519
2021	170,000	3,506	173,506
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	\$ 340,000	\$ 14,025	\$ 354,025

The District records the amount due April 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
LONG-TERM DEBT SERVICE REQUIREMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending March 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2020	\$ 50,000	\$ 2,813	\$ 52,813
2021	50,000	938	50,938
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	\$ 100,000	\$ 3,751	\$ 103,751

The District records the amount due April 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
LONG-TERM DEBT SERVICE REQUIREMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

SERIES - 2012 REFUNDING

Due During Fiscal Years Ending March 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2020	\$ 295,000	\$ 127,656	\$ 422,656
2021	310,000	120,462	430,462
2022	320,000	112,188	432,188
2023	325,000	102,913	427,913
2024	335,000	93,013	428,013
2025	355,000	82,219	437,219
2026	370,000	70,206	440,206
2027	380,000	56,362	436,362
2028	395,000	40,863	435,863
2029	415,000	25,181	440,181
2030	435,000	8,700	443,700
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 3,935,000</u>	<u>\$ 839,763</u>	<u>\$ 4,774,763</u>

The District records the amount due April 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
LONG-TERM DEBT SERVICE REQUIREMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

SERIES - 2012 A REFUNDING

Due During Fiscal Years Ending March 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2020	\$ 315,000	\$ 125,328	\$ 440,328
2021	165,000	118,503	283,503
2022	170,000	112,216	282,216
2023	180,000	106,116	286,116
2024	185,000	100,641	285,641
2025	195,000	94,941	289,941
2026	200,000	89,016	289,016
2027	445,000	79,063	524,063
2028	455,000	64,830	519,830
2029	215,000	54,056	269,056
2030	220,000	46,987	266,987
2031	235,000	39,593	274,593
2032	245,000	31,640	276,640
2033	255,000	23,203	278,203
2034	265,000	14,262	279,262
2035	275,000	4,812	279,812
2036			
2037			
2038			
	<u>\$ 4,020,000</u>	<u>\$ 1,105,207</u>	<u>\$ 5,125,207</u>

The District records the amount due April 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

S E R I E S - 2 0 1 3				
Due During Fiscal Years Ending March 31	Principal Due October 1	Interest Due October 1/ April 1	Total	
2020	\$ 150,000	\$ 127,568	\$	277,568
2021	150,000	123,068		273,068
2022	150,000	118,568		268,568
2023	150,000	113,881		263,881
2024	150,000	108,913		258,913
2025	150,000	103,569		253,569
2026	150,000	97,944		247,944
2027	150,000	92,131		242,131
2028	150,000	86,131		236,131
2029	150,000	80,038		230,038
2030	150,000	73,850		223,850
2031	150,000	67,475		217,475
2032	200,000	59,819		259,819
2033	200,000	50,944		250,944
2034	200,000	41,944		241,944
2035	200,000	32,944		232,944
2036	200,000	23,819		223,819
2037	200,000	14,569		214,569
2038	215,000	4,972		219,972
	\$ 3,215,000	\$ 1,422,147	\$	4,637,147

The District records the amount due April 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
LONG-TERM DEBT SERVICE REQUIREMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

S E R I E S - 2 0 1 3 A P A R K

Due During Fiscal Years Ending March 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2020	\$ 140,000	\$ 107,650	\$ 247,650
2021	140,000	103,450	243,450
2022	140,000	99,250	239,250
2023	140,000	94,700	234,700
2024	140,000	89,800	229,800
2025	140,000	84,725	224,725
2026	140,000	79,475	219,475
2027	140,000	73,963	213,963
2028	140,000	68,187	208,187
2029	140,000	62,238	202,238
2030	140,000	56,112	196,112
2031	140,000	49,900	189,900
2032	140,000	43,600	183,600
2033	140,000	37,125	177,125
2034	140,000	30,475	170,475
2035	140,000	23,825	163,825
2036	140,000	17,000	157,000
2037	135,000	10,125	145,125
2038	135,000	3,375	138,375
	<u>\$ 2,650,000</u>	<u>\$ 1,134,975</u>	<u>\$ 3,784,975</u>

The District records the amount due April 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
LONG-TERM DEBT SERVICE REQUIREMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

SERIES - 2014 REFUNDING

Due During Fiscal Years Ending March 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2020	\$ 190,000	\$ 62,087	\$ 252,087
2021	360,000	55,569	415,569
2022	375,000	45,912	420,912
2023	390,000	34,906	424,906
2024	405,000	22,728	427,728
2025	200,000	12,400	212,400
2026	210,000	4,200	214,200
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 2,130,000</u>	<u>\$ 237,802</u>	<u>\$ 2,367,802</u>

The District records the amount due April 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

SERIES - 2014 A REFUNDING

Due During Fiscal Years Ending March 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2020	\$ 15,000	\$ 93,819	\$ 108,819
2021	15,000	93,369	108,369
2022	15,000	92,919	107,919
2023	20,000	92,394	112,394
2024	20,000	91,794	111,794
2025	240,000	87,894	327,894
2026	250,000	80,544	330,544
2027	260,000	72,569	332,569
2028	270,000	63,956	333,956
2029	540,000	50,456	590,456
2030	565,000	31,456	596,456
2031	595,000	10,784	605,784
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 2,805,000</u>	<u>\$ 861,954</u>	<u>\$ 3,666,954</u>

The District records the amount due April 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
LONG-TERM DEBT SERVICE REQUIREMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

SERIES - 2015 REFUNDING

Due During Fiscal Years Ending March 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2020	\$ 160,000	\$ 79,685	\$ 239,685
2021	160,000	75,341	235,341
2022	160,000	70,997	230,997
2023	160,000	66,653	226,653
2024	310,000	60,273	370,273
2025	315,000	51,789	366,789
2026	320,000	43,169	363,169
2027	320,000	34,481	354,481
2028	325,000	25,725	350,725
2029	335,000	16,765	351,765
2030	340,000	7,602	347,602
2031	110,000	1,493	111,493
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 3,015,000</u>	<u>\$ 533,973</u>	<u>\$ 3,548,973</u>

The District records the amount due April 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending March 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2020	\$ 170,000	\$ 243,350	\$ 413,350
2021	175,000	239,900	414,900
2022	560,000	232,550	792,550
2023	555,000	221,400	776,400
2024	400,000	209,850	609,850
2025	395,000	197,925	592,925
2026	410,000	183,800	593,800
2027	410,000	167,400	577,400
2028	430,000	150,600	580,600
2029	425,000	133,500	558,500
2030	425,000	116,500	541,500
2031	700,000	94,000	794,000
2032	730,000	65,400	795,400
2033	565,000	39,500	604,500
2034	295,000	22,300	317,300
2035	290,000	10,600	300,600
2036	120,000	2,400	122,400
2037			
2038			
	<u>\$ 7,055,000</u>	<u>\$ 2,330,975</u>	<u>\$ 9,385,975</u>

The District records the amount due April 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 1,820,000	\$ 990,375	\$ 2,810,375
2021	1,860,000	937,406	2,797,406
2022	1,890,000	884,600	2,774,600
2023	1,920,000	832,963	2,752,963
2024	1,945,000	777,012	2,722,012
2025	1,990,000	715,462	2,705,462
2026	2,050,000	648,354	2,698,354
2027	2,105,000	575,969	2,680,969
2028	2,165,000	500,292	2,665,292
2029	2,220,000	422,234	2,642,234
2030	2,275,000	341,207	2,616,207
2031	1,930,000	263,245	2,193,245
2032	1,315,000	200,459	1,515,459
2033	1,160,000	150,772	1,310,772
2034	900,000	108,981	1,008,981
2035	905,000	72,181	977,181
2036	460,000	43,219	503,219
2037	335,000	24,694	359,694
2038	350,000	8,347	358,347
	<u>\$ 29,595,000</u>	<u>\$ 8,497,772</u>	<u>\$ 38,092,772</u>

See accompanying independent auditor's report.

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**CHANGE IN LONG-TERM DEBT**  
**FOR THE YEAR ENDED MARCH 31, 2019**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2018
Montgomery County Municipal Utility District No. 94 Unlimited Tax Bonds - Series 2007A	\$ 3,500,000	\$ 115,000
Montgomery County Municipal Utility District No. 94 Unlimited Tax Bonds - Series 2009	3,975,000	495,000
Montgomery County Municipal Utility District No. 94 Unlimited Tax Bonds - Series 2010	4,025,000	510,000
Montgomery County Municipal Utility District No. 94 Unlimited Tax Bonds - Series 2011	1,420,000	150,000
Montgomery County Municipal Utility District No. 94 Unlimited Tax Refunding Bonds - Series 2012	5,370,000	4,220,000
Montgomery County Municipal Utility District No. 94 Unlimited Tax Refunding Bonds - Series 2012A	4,520,000	4,180,000
Montgomery County Municipal Utility District No. 94 Unlimited Tax Bonds - Series 2013	3,965,000	3,365,000
Montgomery County Municipal Utility District No. 94 Unlimited Tax Park Bonds - Series 2013A	3,350,000	2,790,000
Montgomery County Municipal Utility District No. 94 Unlimited Tax Refunding Bonds - Series 2014	3,325,000	2,465,000

See accompanying independent auditor's report.

Current Year Transactions					
Bonds Sold	Retirements		Bonds Outstanding March 31, 2019	Paying Agent	
	Principal	Interest			
\$	\$ 115,000	\$ 2,731	\$ -0-	Wells Fargo, N.A. Houston, TX	
	165,000	17,325	330,000	Wells Fargo, N.A. Houston, TX	
	170,000	17,531	340,000	Wells Fargo, N.A. Houston, TX	
	50,000	4,687	100,000	Wells Fargo, N.A. Houston, TX	
	285,000	133,825	3,935,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	160,000	130,866	4,020,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	150,000	132,069	3,215,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	140,000	111,850	2,650,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	335,000	67,457	2,130,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**CHANGE IN LONG-TERM DEBT**  
**FOR THE YEAR ENDED MARCH 31, 2019**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2018
Montgomery County Municipal Utility District No. 94 Unlimited Tax Refunding Bonds - Series 2014A	3,220,000	2,820,000
Montgomery County Municipal Utility District No. 94 Unlimited Tax Refunding Bonds - Series 2015	3,235,000	3,180,000
Montgomery County Municipal Utility District No. 94 Unlimited Tax Refunding Bonds - Series 2016	<u>7,145,000</u>	<u>7,100,000</u>
TOTAL	<u>\$ 47,050,000</u>	<u>\$ 31,390,000</u>

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

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding March 31, 2019	Paying Agent
	Principal	Interest		
	15,000	94,269	2,805,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	165,000	84,097	3,015,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	45,000	245,500	7,055,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 1,795,000</u>	<u>\$ 1,042,207</u>	<u>\$ 29,595,000</u>	

Bond Authority:	Water, Sewer and Drainage Bonds	Refunding Bonds	Park Bonds
Amount Authorized by Voters	\$ 55,000,000	\$ 61,500,000	\$ 6,500,000
Amount Issued	<u>38,450,000</u>	<u>2,194,504</u>	<u>3,350,000</u>
Remaining to be Issued	<u>\$ 16,550,000</u>	<u>\$ 59,305,496</u>	<u>\$ 3,150,000</u>

Debt Service Fund cash and investment balances as of March 31, 2019: \$ 4,086,101

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,004,883

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – FIVE YEARS**

	Amounts		
	2019	2018	2017
<b>REVENUES</b>			
Property Taxes	\$ 722,363	\$ 675,896	\$ 555,751
Water Service	513,154	522,045	534,316
Wastewater Service	902,031	895,375	883,344
Water Authority Fees	538,084	560,406	532,594
Penalty and Interest	37,168	41,308	36,021
Tap Connection and Inspection Fees	525	600	950
Investment Revenues	108,249	45,252	9,415
Miscellaneous Revenues	3,895	5,966	5,975
<b>TOTAL REVENUES</b>	<b>\$ 2,825,469</b>	<b>\$ 2,746,848</b>	<b>\$ 2,558,366</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 126,595	\$ 143,683	\$ 140,105
Contracted Services	800,238	678,083	662,132
Purchased Wastewater Service	286,745	189,076	254,914
Utilities	208,933	211,337	232,240
Water Authority Assessments	562,233	579,024	536,099
Repairs and Maintenance	398,702	247,919	359,402
Other	159,152	138,065	108,961
Capital Outlay	60,036	223,072	
Capital Lease, Principal and Interest	30,000	30,000	33,850
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,632,634</b>	<b>\$ 2,440,259</b>	<b>\$ 2,327,703</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 192,835</b>	<b>\$ 306,589</b>	<b>\$ 230,663</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance Recovery	\$	\$	\$ 17,318
Transfers In	214,480		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 214,480</b>	<b>\$ - 0 -</b>	<b>\$ 17,318</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 407,315</b>	<b>\$ 306,589</b>	<b>\$ 247,981</b>
<b>BEGINNING FUND BALANCE</b>	<b>5,006,531</b>	<b>4,699,942</b>	<b>4,451,961</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 5,413,846</b>	<b>\$ 5,006,531</b>	<b>\$ 4,699,942</b>

See accompanying independent auditor's report.



		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 663,829	\$ 681,265	25.6 %	24.7 %	21.8 %	24.9 %	25.9 %
551,468	526,396	18.2	19.0	20.9	20.7	20.1
887,482	867,641	31.9	32.6	34.5	33.3	33.1
510,607	431,051	19.0	20.4	20.8	19.2	16.4
38,502	49,390	1.3	1.5	1.4	1.4	1.9
850	53,449	0.1				2.0
6,978	6,578	3.8	1.6	0.4	0.3	0.3
5,975	8,515	0.1	0.2	0.2	0.2	0.3
<u>\$ 2,665,691</u>	<u>\$ 2,624,285</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 110,917	\$ 98,482	4.5 %	5.3 %	5.5 %	4.2 %	3.8 %
625,584	640,728	28.3	24.7	25.9	23.5	24.4
224,963	278,171	10.1	6.9	10.0	8.4	10.6
234,941	269,550	7.4	7.7	9.1	8.8	10.3
449,479	454,921	19.9	21.1	21.0	16.9	17.3
311,699	276,861	14.1	9.0	14.0	11.7	10.5
107,258	99,719	5.6	5.0	4.3	4.0	3.8
		2.1	8.1			
34,200	34,200	1.1	1.1	1.3	1.3	1.3
<u>\$ 2,099,041</u>	<u>\$ 2,152,632</u>	<u>93.1 %</u>	<u>88.9 %</u>	<u>91.1 %</u>	<u>78.8 %</u>	<u>82.0 %</u>
<u>\$ 566,650</u>	<u>\$ 471,653</u>	<u>6.9 %</u>	<u>11.1 %</u>	<u>8.9 %</u>	<u>21.2 %</u>	<u>18.0 %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 566,650	\$ 471,653					
3,885,311	3,413,658					
<u>\$ 4,451,961</u>	<u>\$ 3,885,311</u>					

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – FIVE YEARS**

	Amounts		
	2019	2018	2017
<b>REVENUES</b>			
Property Taxes	\$ 2,679,363	\$ 2,711,443	\$ 2,731,744
Penalty and Interest	13,288	10,747	10,128
Investment Revenues	78,973	31,592	7,545
Miscellaneous Revenues	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL REVENUES</b>	<u>\$ 2,771,624</u>	<u>\$ 2,753,782</u>	<u>\$ 2,749,417</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 58,416	\$ 47,643	\$ 65,331
Debt Service Principal	1,795,000	1,770,000	1,700,000
Debt Service Interest and Fees	1,046,725	1,102,564	1,087,615
Bond Issuance Costs	<u>          </u>	<u>          </u>	256,136
Payment to Refunded Bond Escrow Agent	<u>          </u>	<u>          </u>	121,500
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,900,141</u>	<u>\$ 2,920,207</u>	<u>\$ 3,230,582</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (128,517)</u>	<u>\$ (166,425)</u>	<u>\$ (481,165)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding Bonds	\$	\$	\$ 7,145,000
Payment to Refunded Bond Escrow Agent	<u>          </u>	<u>          </u>	(7,620,617)
Bond Discount	<u>          </u>	<u>          </u>	<u>          </u>
Bond Premium	<u>          </u>	<u>          </u>	739,233
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ - 0 -</u>	<u>\$ -0-</u>	<u>\$ 263,616</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (128,517)	\$ (166,425)	\$ (217,549)
<b>BEGINNING FUND BALANCE</b>	<u>4,195,286</u>	<u>4,361,711</u>	<u>4,579,260</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 4,066,769</u>	<u>\$ 4,195,286</u>	<u>\$ 4,361,711</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>1,724</u>	<u>1,722</u>	<u>1,721</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>1,703</u>	<u>1,685</u>	<u>1,684</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 2,822,873	\$ 2,837,777	96.7 %	98.5 %	99.3 %	99.2 %	99.4 %
16,234	9,527	0.5	0.4	0.4	0.6	0.3
5,945	7,500	2.8	1.1	0.3	0.2	0.3
	20					
<u>\$ 2,845,052</u>	<u>\$ 2,854,824</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 49,111	\$ 54,753	2.1 %	1.7 %	2.4 %	1.7 %	1.9 %
1,630,000	1,605,000	64.8	64.3	61.8	57.3	56.2
1,329,391	1,429,923	37.8	40.0	39.6	46.7	50.1
89,545	100,084			9.3	3.1	3.5
	71,000			4.4		2.5
<u>\$ 3,098,047</u>	<u>\$ 3,260,760</u>	<u>104.7 %</u>	<u>106.0 %</u>	<u>117.5 %</u>	<u>108.8 %</u>	<u>114.2 %</u>
<u>\$ (252,995)</u>	<u>\$ (405,936)</u>	<u>(4.7) %</u>	<u>(6.0) %</u>	<u>(17.5) %</u>	<u>(8.8) %</u>	<u>(14.2) %</u>
\$ 3,235,000	\$ 3,220,000					
(3,131,914)	(2,969,000)					
	(75,564)					
<u>\$ 103,086</u>	<u>\$ 175,436</u>					
\$ (149,909)	\$ (230,500)					
<u>4,729,169</u>	<u>4,959,669</u>					
<u>\$ 4,579,260</u>	<u>\$ 4,729,169</u>					
<u>1,721</u>	<u>1,691</u>					
<u>1,689</u>	<u>1,650</u>					

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MARCH 31, 2019**

District Mailing Address - Montgomery County Municipal Utility District No. 94  
c/o Schwartz, Page & Harding, L.L.P.  
1300 Post Oak Blvd., Suite 1400  
Houston, TX 77056-3078

District Telephone Number - (713) 623-4531

<b>Board Members</b>	<b>Term of Office (Elected or Appointed)</b>	<b>Fees of Office for the year ended March 31, 2019</b>	<b>Expense reimbursements for the year ended March 31, 2019</b>	<b>Title</b>
Jim Spitzmiller	05/18 - 05/22 (Elected)	\$ 1,500	\$ 301	President
Jason Schultz	05/16 - 05/20 (Elected)	\$ 1,650	\$ 122	Vice President
Joseph Frost	05/18 - 05/22 (Elected)	\$ 1,050	\$ 200	Secretary/ Records Management Officer
Merry Leonard	05/18 - 05/22 (Elected)	\$ 1,350	\$ 232	Assistant Secretary
Eric Luggar	08/18- 05/20 (Appointed)	\$ 4,650	\$ 828	Assistant Secretary

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

The submission date of the most recent District Registration Form was (TWC Sections 36.054 and 49.054): August 8, 2018

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

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 94**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**MARCH 31, 2019**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2019</u>	<u>Title</u>
Schwartz, Page & Harding, L.L.P.	09/12/02	\$ 80,149	General Counsel
McCall Gibson Swedlund Barfoot PLLC	05/16/18	\$ 11,750	Auditor
McLennan & Associates	2004	\$ 21,511	Bookkeeper
Predue, Brandon, Fielder, Collins & Mott, L.L.P.	09/02/03	\$ 3,393	Delinquent Tax Attorney
Costello, Inc.	09/12/02	\$ 32,543	Engineer
Masterson Advisors LLC	05/16/18	\$ -0-	Financial Advisor
Jorge Diaz		\$ -0-	Investment Officer
Gulf Utility Service, Inc.	06/05/12	\$ 572,122	Operator
Assessments of the Southwest, Inc.	09/12/02	\$ 18,647	Tax Assessor/ Collector

See accompanying independent auditor's report.



**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

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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