

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

PRELIMINARY OFFICIAL STATEMENT
DATED: May 7, 2020

\$4,545,000*
UNLIMITED TAX REFUNDING BONDS
SERIES 2020

TARGET PRICING: May 20, 2020

UNDERWRITER: RAYMOND JAMES



*Preliminary; subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 7, 2020

This Preliminary Official Statement is subject to completion and amendment. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.

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

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

NEW ISSUE-Book-Entry Only

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

\$4,545,000*
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX REFUNDING BONDS
SERIES 2020

Dated Date: June 1, 2020

Due: September 1, as shown below

The bonds described above (the “Bonds”) will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”). Interest accrues from June 1, 2020, and is payable September 1, 2020 (three months of interest), and each March 1 and September 1 thereafter until the earlier of maturity or redemption on the basis of a 360 day year of twelve 30 day months. The Bonds are subject to redemption prior to their maturity, as shown below.

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

MATURITY SCHEDULE

Due (September 1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)	Due (September 1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)
2021	\$ 120,000	%	%		2030	\$ 225,000 (b)	%	%	
2022	235,000				2031	230,000 (b)			
2023	310,000				2032	235,000 (b)			
2024	190,000				2033	240,000 (b)			
2025	290,000				2034	260,000 (b)			
2026	290,000 (b)				2035	635,000 (b)			
2027	295,000 (b)				2036	275,000 (b)			
2028	220,000 (b)				2037	270,000 (b)			
2029	225,000 (b)								

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from June 1, 2020, is to be added to the price.
- (b) Bonds maturing on or after September 1, 2026 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

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

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District. Certain other legal matters will be passed upon, on behalf of the Underwriter, by McCall, Parkhurst & Horton L.L.P., Houston, Texas. Delivery of the Bonds through DTC is expected on or about June 24, 2020.

RAYMOND JAMES

*Preliminary; subject to change.

TABLE OF CONTENTS

MATURITY SCHEDULE	1
USE OF INFORMATION IN OFFICIAL STATEMENT	2
OFFICIAL STATEMENT SUMMARY	3
SELECTED FINANCIAL INFORMATION	6
PLAN OF FINANCING.....	7
DEBT SERVICE REQUIREMENTS.....	9
THE BONDS.....	10
THE DISTRICT	15
MANAGEMENT	18
THE SYSTEM.....	20
BONDS AUTHORIZED BUT UNISSUED.....	24
FINANCIAL STATEMENT	24
ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT	26
TAX DATA.....	27
TAX PROCEDURES	29
WATER AND SEWER OPERATIONS	34
INVESTMENT CONSIDERATIONS	35
LEGAL MATTERS	41
TAX MATTERS	42
MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.....	44
VERIFICATION OF MATHEMATICAL CALCULATIONS	45
SALE AND DISTRIBUTION OF THE BONDS.....	45
PREPARATION OF OFFICIAL STATEMENT	46
CONTINUING DISCLOSURE OF INFORMATION	47
MISCELLANEOUS.....	48
FINANCIAL STATEMENT OF THE DISTRICT FOR THE FISCAL YEAR ENDED MAY 31, 2019	APPENDIX A

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General...

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Impact...

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19).”

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 multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

Impact on the District...

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

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

THE FINANCING

<i>The Issuer...</i>	Montgomery County Municipal Utility District No. 115 (the “District”), a political subdivision of the State of Texas, located in Montgomery County, Texas. See “THE DISTRICT.”
<i>The Issue...</i>	\$4,545,000* Montgomery County Municipal Utility District No. 115 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”), dated June 1, 2020. The Bonds mature serially on September 1 in each of the years 2021 through 2037, both inclusive, in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds will accrue from June 1, 2020, with interest payable September 1, 2020 (three months of interest) and each March 1 and September 1 thereafter until maturity. See “THE BONDS.”
<i>Redemption ...</i>	Bonds maturing on September 1, 2026 and thereafter are subject to redemption, in whole or, from time to time in part, at the option of the District, prior to their maturity date, on September 1, 2025 or any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. If less than all of the Bonds of a given maturity are to be redeemed, the particular Bonds to be redeemed shall be selected on behalf of the District by the Paying Agent/Registrar by random method (or while the Bonds are in Book-Entry-Only form, by DTC in accordance with its procedures). See “THE BONDS—Redemption Provisions.”
<i>Book-Entry-Only System ...</i>	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry-Only System.”
<i>Source of Payment ...</i>	The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds, together with lawfully available funds of the District, if any, will be used to currently refund and defease \$4,315,000* of the District’s Outstanding Bonds in order to achieve annual and net present value savings in the District’s annual debt service expense. The Bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” Bond proceeds will also be used to pay certain costs associated with issuance of the Bonds, including the payment of any insurance premium. See “PLAN OF FINANCING—Refunded Bonds” and “—Sources and Uses of Funds.”
<i>Future Debt...</i>	The District has filed a bond application report with the TCEQ requesting approval to sell \$1,390,000 principal amount of unlimited tax bonds for parks and recreational facilities. The District expects approval by the TCEQ and the sale of such bonds in the third or fourth quarter of 2020. See “THE BONDS—Issuance of Additional Debt,” “THE SYSTEM—Future Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Payment Record ...</i>	The District has previously issued ten series of unlimited tax bonds, two issues of unlimited tax park bonds, and one series of unlimited tax refunding bonds, \$45,760,000 of which remained outstanding as of May 1, 2020 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal of and interest on the Outstanding Bonds.
<i>Qualified Tax-Exempt Obligations ...</i>	The Bonds will be designated as “Qualified Tax-Exempt Obligations” for financial institutions. See “TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “A3” to the Bonds. The use of insurance and the payment of an insurance premium is at the option and expense of the District. The rating fee of Moody’s will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

*Preliminary; subject to change.

<i>Bond Counsel ...</i>	Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, Houston, Texas.
<i>Financial Advisor ...</i>	Masterson Advisors LLC, Houston, Texas.
<i>Underwriter's Counsel ...</i>	McCall, Parkhurst & Horton, L.L.P., Houston, Texas.
<i>Escrow Agent...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.
<i>Investment Considerations ...</i>	The purchase and ownership of the Bonds are subject to special investment considerations, and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

THE DISTRICT

<i>Description...</i>	<p>The District is a political subdivision of the State of Texas, created by Order of the Texas Commission on Environmental Quality (the "Commission") on March 22, 2006, under the provisions of Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended. The District is located in southeastern Montgomery County approximately 25 miles north of downtown Houston and approximately 15 miles south of the City of Conroe. The District lies approximately three miles east of Interstate Highway 45 ("IH 45") north of Rayford Road along Northridge Forest Drive and Birnham Woods Drive. The District contains approximately 686 acres and is wholly within the extraterritorial jurisdiction of the City of Conroe and the boundaries of the Conroe Independent School District. See "THE DISTRICT."</p>
<i>Status of Development ...</i>	<p>The District has been developed as The Falls at Imperial Oaks, a single family residential community. Development in the District currently includes 1,527 single-family residential lots on approximately 559 acres. As of May 1, 2020, the District consisted of 1,504 completed homes (1,502 occupied), 7 homes under construction and 16 vacant developed lots. Homes in the District range in price from approximately \$350,000 to \$1,000,000.</p> <p>The remainder of the District is comprised of approximately 20 acres owned by Conroe Independent School District where an elementary school has been built (tax-exempt), approximately 8 acres of park land upon which a recreation center is located, and approximately 99 acres of amenity lakes, easements, detention and drainage facilities, street right-of-way, a water plant site, floodway and flood plain. There is no additional developable acres in the District that have not been provided with water distribution, wastewater collection and storm drainage facilities. See "THE DISTRICT."</p> <p>The developer of the land in the District was Imperial Oaks Development Corp., a Texas Corporation (the "Developer").</p>
<i>Homebuilders...</i>	Homebuilders currently building in the District are David Weekley Homes, Partners in Building and Village Builders. See "THE DISTRICT—Status of Development."

SELECTED FINANCIAL INFORMATION

2019 Certified Taxable Assessed Valuation	\$470,343,357 (a)
2020 Preliminary Taxable Assessed Valuation	\$498,659,890 (b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$45,990,000* (c)
Estimated Overlapping Debt.....	<u>17,501,254 (d)</u>
Gross Debt and Estimated Overlapping Debt	\$63,491,254*
Ratios of Gross Debt to:	
2019 Certified Taxable Assessed Valuation	9.78%*
2020 Preliminary Taxable Assessed Valuation	9.22%*
Ratios of Gross Debt and Estimated Overlapping Debt to:	
2019 Certified Taxable Assessed Valuation	13.50%*
2020 Preliminary Taxable Assessed Valuation	12.73%*
2019 Debt Service Tax Rate	\$0.88
2019 Maintenance Tax Rate	<u>0.42</u>
2019 Total Tax Rate	\$1.30/\$100 A.V.
Average Annual Debt Service Requirements (2021-2041) of the Bonds ("Average Requirement")	\$2,861,314* (e)
Maximum Annual Debt Service Requirement (2021) of the Bonds ("Maximum Requirement")	\$3,649,701* (e)
Tax Rates Required to Pay Average Requirement (2021-2041) at a 95% Collection Rate	
Based upon 2019 Certified Taxable Assessed Valuation	\$0.65*/\$100 A.V.
Based upon 2020 Preliminary Taxable Assessed Valuation.....	\$0.61*/\$100 A.V.
Tax Rates Required to Pay Maximum Requirement (2021) at a 95% Collection Rate	
Based upon 2019 Certified Taxable Assessed Valuation	\$0.82*/\$100 A.V.
Based upon 2020 Preliminary Taxable Assessed Valuation.....	\$0.78*/\$100 A.V.
Status of home construction as of May 1, 2020:	
Single-family residential – completed and occupied	1,502
Single-family residential – completed and unoccupied	2
Single-family residential – under construction	<u>7</u>
Total	1,511
Estimated 2020 Population – 5,257 (f)	

- (a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2020 taxable value (as of January 1, 2020). Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified in the fall of 2020. See "TAX PROCEDURES."
- (c) After the refunding of the Refunded Bonds and the issuance of the Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds."
- (d) See "ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT."
- (e) See "DEBT SERVICE REQUIREMENTS."
- (f) Based upon 3.5 persons per occupied home.

PRELIMINARY OFFICIAL STATEMENT

\$4,545,000*

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

UNLIMITED TAX REFUNDING BONDS SERIES 2020

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 115 (the “District”) of its \$4,545,000* Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 Texas Government Code, as amended, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), and an election held within the District.

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

PLAN OF FINANCING

Purpose

The District currently has \$45,760,000 principal amount of its bonds outstanding (the “Outstanding Bonds”). The proceeds of the Bonds, together with legally available funds of the District, if any, will be used to currently refund and defease portions of the Unlimited Tax Bonds, Series 2010, Unlimited Tax Bonds, Series 2011, Unlimited Tax Bonds, Series 2012 and the Unlimited Tax Bonds, Series 2013, totaling \$4,315,000* principal amount (the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds.” A total of \$41,445,000* principal amount of the District’s Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “—Sources and Uses of Funds” herein and “FINANCIAL STATEMENT—Outstanding Bonds.”

*Preliminary; subject to change.

Refunded Bonds

The principal amounts and maturity dates of the Refunded Bonds are set forth below:

Maturity Date September 1	Series 2010*	Series 2011*	Series 2012*	Series 2013*
2021	\$ -	\$ 75,000 (a)	\$ -	\$ -
2022	115,000	75,000 (a)	-	-
2023	120,000	75,000 (a)	75,000	-
2024	-	75,000 (a)	80,000	-
2025	-	75,000 (a)	85,000	100,000
2026	-	75,000 (a)	90,000	100,000
2027	-	75,000 (a)	95,000	100,000
2028	-	-	100,000 (a)	100,000
2029	-	-	110,000 (a)	100,000
2030	-	-	115,000 (a)	100,000
2031	-	-	120,000 (a)	100,000
2032	-	-	130,000 (a)	100,000 (a)
2033	-	-	140,000 (a)	100,000 (a)
2034	-	-	145,000 (a)	120,000 (a)
2035	-	-	350,000 (a)	300,000 (a)
2036	-	-	-	300,000 (a)
2037	-	-	-	300,000 (a)
Total	\$ 235,000	\$ 525,000	\$ 1,635,000	\$ 1,920,000

Redemption Date: July 1, 2020 July 1, 2020 September 1, 2020 September 1, 2020

(a) Represents sinking fund payments on term bonds.

Escrow Agreement and Defeasance of Refunded Bonds

The Refunded Bonds and the interest due thereon, are to be paid on each principal or interest payment date and on the 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 provide for the discharge and defeasance of the Refunded Bonds. The Bond Order further provides that from the proceeds of the sale of the Bonds and lawfully available funds of the District, if any, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and used to purchase United States Treasury Obligations or other investments authorized by Chapter 1207, Texas Government Code (the “Escrowed Securities”). At the time of delivery of the Bonds, Public Finance Partners LLC will verify to the District, the Escrow Agent and the Underwriter that the cash and Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” 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. By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior orders of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, and lawfully available funds of the District, if any, will be applied as follows:

Sources of Funds:

Principal Amount of the Bonds.....	\$ _____
Plus/Less: Net Premium/Original Discount on the Bonds	_____
Plus: Transfer from Debt Service Fund	_____
Total Sources of Funds	\$ _____

Uses of Funds:

Deposit to Escrow Fund	\$ _____
Issuance Expenses and Underwriters' Discount (a).....	_____
Total Uses of Funds.....	\$ _____

(a) Includes municipal bond insurance premium.

DEBT SERVICE REQUIREMENTS

The following table sets forth the actual debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$4,315,000* principal amount), plus the estimated debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds*	Plus: Debt Service on the Bonds*			Total Debt Service Requirements*
			Principal	Interest	Total	
2020	\$ 2,240,791	(a) \$ 84,196		\$ 22,725	\$ 22,725	\$ 2,179,319
2021	3,682,194	243,393	\$ 120,000	90,900	210,900	3,649,701
2022	3,666,811	355,318	235,000	88,500	323,500	3,634,994
2023	3,655,028	427,240	310,000	83,800	393,800	3,621,588
2024	3,646,678	301,065	190,000	77,600	267,600	3,613,213
2025	2,904,571	399,965	290,000	73,800	363,800	2,868,406
2026	2,897,336	395,130	290,000	68,000	358,000	2,860,206
2027	2,892,169	390,025	295,000	62,200	357,200	2,859,344
2028	2,882,459	309,390	220,000	56,300	276,300	2,849,369
2029	2,885,784	312,090	225,000	51,900	276,900	2,850,594
2030	2,880,729	309,410	225,000	47,400	272,400	2,843,719
2031	2,882,469	306,175	230,000	42,900	272,900	2,849,194
2032	2,876,001	307,745	235,000	38,300	273,300	2,841,556
2033	2,861,244	308,800	240,000	33,600	273,600	2,826,044
2034	2,862,294	324,325	260,000	28,800	288,800	2,826,769
2035	2,883,988	698,875	635,000	23,600	658,600	2,843,713
2036	2,877,500	323,250	275,000	10,900	285,900	2,840,150
2037	2,871,906	311,625	270,000	5,400	275,400	2,835,681
2038	2,727,600	-	-	-	-	2,727,600
2039	2,331,875	-	-	-	-	2,331,875
2040	1,784,250	-	-	-	-	1,784,250
2041	1,729,625	-	-	-	-	1,729,625
Total	\$ 62,923,299	\$ 6,108,016	\$ 4,545,000	\$ 906,625	\$ 5,451,625	\$ 62,266,908

(a) Excludes the March 1, 2020 debt service payment in the amount of \$2,310,341.

Maximum Annual Debt Service Requirement (2021).....	\$3,649,701*
Average Annual Debt Service Requirement (2021-2041).....	\$2,861,314*

THE BONDS

Description

The Bonds are dated June 1, 2020, with interest payable each September 1 and March 1 (each an “Interest Payment Date”), beginning September 1, 2020 (three months of interest), and mature on the dates and in the principal amounts and pay interest at the rates shown on the cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “Book-Entry-Only System” herein.

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

Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Registration, Transfer and Exchange

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

Paying Agent/Registrar

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

Source of Payment

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

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

Funds

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

Accrued interest on the Bonds will be deposited into the Debt Service Fund upon receipt. Any monies remaining after the deposit into the Escrow Fund and payment of issuance costs will be deposited into the Debt Service Fund.

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2025, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Authority for Issuance

At an election held within the District on November 7, 2006, the voters of the District authorized the issuance of a total of \$120,000,000 principal amount of unlimited tax bonds for purposes of acquiring and constructing the District's water, sewer and drainage system and for refunding purposes. After issuance of the Bonds, the District will have \$71,010,000* in principal amount of unlimited tax bonds authorized but unissued for acquiring and constructing the District's water, sewer, and drainage facilities and for refunding purposes. See "Issuance of Additional Debt" below.

The Bonds are issued by the District pursuant to the terms and conditions of the above referenced election; the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and Chapter 1207 of the Texas Government Code, as amended. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement

Issuance of Additional Debt

The District's voters have authorized the issuance of \$120,000,000 in principal amount of unlimited tax bonds for purposes of acquiring and constructing the water, sewer and drainage facilities to serve land within the District and for refunding such bonds. The District could authorize additional amounts. After the issuance of the Bonds, the District will have \$71,010,000* principal amount of unlimited tax bonds authorized but unissued for constructing water, sewer and drainage facilities and for refunding such bonds. The Bond Order imposes no limitation on the amount of additional parity bonds which may be subsequently authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. On November 6, 2007, the voters authorized the issuance of a total of \$10,672,000 in principal amount of unlimited tax bonds for the purpose of developing parks and recreational facilities and for refunding such bonds. Before the District issues recreational facilities bonds payable from taxes, the following actions are required: (a) approval of the park projects and bonds by the Commission; and (b) approval of the bonds by the Attorney General of Texas. Additionally, recreational facilities bonds outstanding principal amount may not exceed an amount equal to one percent of the value of the taxable property in the District. The District currently has \$5,147,000 in principal amount of unlimited tax bonds authorized but unissued for developing parks and recreational facilities and for refunding such bonds. The District expects to continue to issue unlimited tax bonds for developing parks and recreational facilities to provide funds with which to reimburse the Developer for recreational facilities constructed for the District. See "THE SYSTEM—Future Debt."

The District has filed a bond application report with the TCEQ requesting approval to sell \$1,390,000 principal amount of unlimited tax bonds for parks and recreational facilities. The District expects approval by the TCEQ and the sale of such bonds in the third or fourth quarter of 2020. See "THE SYSTEM—Future Debt" and "INVESTMENT CONSIDERATIONS—Future Debt."

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

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

Defeasance

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

Annexation

All of the District is located in the extraterritorial jurisdiction ("ETJ") of the City of Conroe. The District can be annexed by such city without the consent of the District, and the City cannot annex territory within the District unless it annexes the entire District; however, under legislation effective May 24, 2019, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting at an election held for the purpose in the area to be annexed; and (ii) if the registered voters in the area do not own more than fifty percent (50%) of the land in the area, a petition has been signed by more than fifty percent (50%) of the landowners consenting to the annexation. If annexation of the District by such city did occur, the District would be abolished within ninety (90) days after annexation. When the District is abolished, such city would be required to assume the assets, functions, and obligations of the District (including the Bonds). Annexation of territory by the City of Conroe is a policy-making matter within the discretion of the Mayor and City Council of the City of Conroe, and therefore, the District makes no representation that the City of Conroe will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City of Conroe to pay debt service on the District's bonds if annexation were to occur. See "THE DISTRICT—Conroe Extraterritorial Jurisdiction."

Consolidation

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Amendments

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

Registered Owners' Remedies

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

THE DISTRICT

General

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

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

Conroe Extraterritorial Jurisdiction

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

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

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

Description and Location

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

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Land Use

The District includes approximately 559 developed acres of single-family residential development (1,527 lots), approximately 20 acres owned by Conroe Independent School District where an elementary school has been constructed, approximately 8 acres of park land upon which a recreation center is located, and approximately 99 acres of amenity lakes, easements, detention and drainage facilities, street right-of-way, a water plant site, floodway and flood plain. There are no developable acres in the District that have not been provided with water distribution, wastewater collection and storm drainage facilities. The table below represents a detailed breakdown of the current acreage and development in the District.

<u>Single-Family Residential</u>	<u>Approximate Acres</u>	<u>Lots</u>
Imperial Oaks Forest:		
Section 15	35	125
Section 16	32	118
Section 17	10	48
Section 17A	9	43
Section 18	23	75
Imperial Oaks Forest:		
Section 3	33	93
Section 4	28	59
Section 5	20	46
Falls at Imperial Oaks:		
Section 1	17	33
Section 2	22	33
Section 3	18	66
Section 4	19	55
Section 5	38	60
Section 6	12	59
Section 7	26	49
Section 8	14	13
Section 9	15	55
Section 10	27	90
Section 11	19	42
Section 12	16	61
Section 14	18	38
Section 15	13	47
Section 18	15	60
Section 19	37	76
Section 20	34	70
Section 26	9	13
Subtotal	559	1,527
School Site (a)	20	---
Recreation Center (b)	8	---
Future Development	0	---
Non-Developable (c)	99	---
Totals	686	1,527

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

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

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

Status of Development

Single-Family Residential: As of May 1, 2020, the District consisted of 1,504 completed homes (1,502 occupied), 7 homes under construction, and 16 vacant developed lots. Homes in the District range in price from approximately \$350,000 to \$1,000,000. As of May 1, 2020, the estimated population in the District based upon 3.5 persons per occupied single-family residence was 5,257.

Homebuilders currently building in the District are David Weekley Homes, Partners in Building and Village Builders.

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

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

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

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

Developer: The land within the District was developed by was Imperial Oaks Development Corp., a Texas Corporation (the “Developer”).

MANAGEMENT

Board of Directors

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hal B. Sharp	President	May 2024
Catherine Athearn	Vice President	May 2024
Cynthia A. Giles	Secretary	May 2024
Leona G. Ohrt	Director	May 2022
Ben Mitchell	Director	May 2022

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

Tax Appraisal

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

Tax Assessor/Collector

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

Bookkeeper

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

Operator

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

Engineer

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

Attorney

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

Financial Advisor

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

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit is filed with the Commission. The District's audited financial statements for the fiscal year ending May 31, 2019 have been prepared by McCall Gibson Swedlund Barfoot PLLC. See "APPENDIX A" for a copy of the District's May 31, 2019 audited financial statements. The District has engaged McCall Gibson Swedlund Barfoot PLLC to audit the District's financial statements for the fiscal year ending May 31, 2020.

THE SYSTEM

Regulation

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

Shared Central Plant Facilities

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

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

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

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

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

Water Supply

The District owns water supply capacity in the shared water plants operated by MUD 99. The two water plants consists of 2,100 gallons per minute ("gpm") of well capacity, a guaranteed 410 gpm surface water feed, 954,000 gallon ground storage tanks, 45,000 gallons of pressure tank capacity, booster pump capacity of 5,250 gpm and related appurtenant equipment. According to the District engineer, the water plants have sufficient capacity to serve approximately 3,750 equivalent single-family connections ("ESFCs"). The District's share of the water plant capacity is 2,783 ESFCs. Pursuant to the Water Supply Agreement, the District has a right to purchase additional capacity or upgrade the facilities, as needed, to serve its development, and MUD 99 and MUD 127 have the right to purchase additional capacity, as needed.

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

Wastewater Treatment

The District owns capacity in the shared 399,000 gallon per day (“gpd”) wastewater treatment plant. The current permitted capacity of the treatment plant is 399,000 gpd, and the permit allows for the plant to treat up to 1,500,000 gpd of wastewater. Construction of the treatment plant will be completed in phases. The first three phases are complete, and design of the fourth expansion of the wastewater treatment plant is underway. It is estimated that the wastewater treatment plant will be expanded to 525,000 gpd which will provide capacity to serve 2,058 ESFCs. The current treatment plant has the capacity to serve approximately 1,564 ESFCs, of which the District owns 872 ESFCs. As of March 1, 2020, the shared wastewater treatment plant is serving a total of 2,035 ESFCs for both the District and MUD 99 and is operating at approximately 76% percent of its permitted capacity.

Unused capacity in the plant is available until the next expansion is completed and can be utilized by the District, which provides the District with capacity it needs to serve the existing connections. Proceeds from previously issued bonds are being used to pay the cost of the design the next expansion of the wastewater treatment plant. The District and MUD 99 have funds dedicated to constructing the next expansion.

100-Year Flood Plain

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

The National Weather Service recently completed a rainfall study known as National Oceanic and Atmospheric Administration (“NOAA”) Atlas 14, Volume 11 Participation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties. Such regulations could result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Lone Star Groundwater Conservation District

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

The Conservation District initially required persons and entities, including the District, MUD 99, and MUD 127 that pump groundwater from wells to apply for and obtain permits for the withdrawal of groundwater under terms and conditions provided in the Conservation District’s rules. The Conservation District adopted an initial District Regulatory Plan which called for the reduction of groundwater withdrawal throughout Montgomery County to volumes that do not exceed the recharge capabilities of aquifers in the County to prevent the long term depletion of the aquifers.

Large water users, including the District, MUD 99, and MUD 127 were required to prepare and submit a two-part Water Resources Assessment Plan (“WRAP”) that identified methods and plans for reduction of groundwater usage through the development of alternate water resources, including the design and construction of infrastructure facilities to purchase and transport surface water to affected areas within the County. The initial requirement and deadline for reduction of groundwater use by the District, MUD 99, and MUD 127 by 30% was January 1, 2016.

The District and MUD 99, and later by extension, MUD 127, participated in a joint WRAP prepared by the San Jacinto River Authority as described below.

Upon passage of House Bill 1982 by the 85th Texas Legislature in 2017, the Conservation District board of directors was changed from a nine member appointed board to a seven member elected board. The first election was held on November 6, 2018, and the new board assumed office in on November 18, 2018. Since taking office the new board members have indicated that there will be major changes to the Conservation District's approach to groundwater management.

In 2015, dissatisfied with the production limits the Conservation District created through the rulemaking authority delegated to it by the Texas Legislature, a group of large water producers filed suit claiming that the rules the Conservation District created imposing per-producer yearly production limits on their production of groundwater were invalid because they purported to regulate the production limits on their production of groundwater in ways the Texas Legislature never authorized. On October 2, 2018, the 284th District Court of Montgomery County, Texas ruled that, as a matter of law, the core groundwater regulation, which the Conservation District had imposed on large groundwater producers, is outside of the Conservation District's authority under the Texas Water Code and is not valid. The Conservation District appealed to the Beaumont Court of Appeals for review of the decision. However, at the Conservation District board meeting held on January 23, 2019, the newly elected board announced that they unanimously agreed on a settlement offer with the large water producers, and the appeal was withdrawn. On May 17, 2019, as a result of the settlement, a Final Judgment was signed in the underlying suit, which held the Key Conservation District regulations are "unlawful, void and unenforceable."

On February 5, 2019, the Conservation District issued its notice of proposed regulatory changes to comply with that impending judgment. In March of 2019, the Conservation District adopted an amended Groundwater Management Plan and submitted the plan to the Texas Water Development Board for review and approval in accordance with the requirements of Chapter 36 of the Texas Water Code. In May of 2019, the Texas Water Development Board rejected the amended Groundwater Management Plan. The Conservation District filed notice with the Texas Water Development Board of its appeal of the rejection of the amended Groundwater Management Plan. The Conservation District's appeal was rejected by the Texas Water Development Board on October 3, 2019. The full impact of these matters on the District is not known at this time. Regulatory changes by the Conservation District may impact the District's production of groundwater from its wells. Regardless of the non-existence of the original regulations and uncertainty regarding future mandates (if any), the joint WRAP prepared by the SJRA is currently still in place.

The Conservation District currently bills permit holders \$0.085 per 1,000 gallons of water pumped from wells to finance the Conservation District's operations. This amount is subject to future increases.

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

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

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

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

The SJRA designed, permitted, financed, constructed, own, operated and maintained the Project, to be constructed in phases. A group compliance approach was to be utilized. Certain large volume Participants may be wholly-converted to treated surface water while other users may continue to use groundwater. This approach was expected to minimize overall Project cost, equalize costs for Participants and avoid geographic advantages and disadvantages.

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

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

SJRA has issued \$544,555,358 principal amount of special project and water revenue bonds to finance the capital costs of the Project, and groundwater pumpage fees and water service fees will be used to cover costs of debt service on the bonds. Effective September 1, 2019, the SJRA assessed groundwater pumpage fees of \$2.73 per 1,000 gallons pumped from the MUD 99 well. MUD 99, MUD 127 and the District pay the pumpage fees based upon the amount of water delivered to each district each month. MUD 99, MUD 127 and the District pass these pumpage fees and Conservation District fees on to customers in the districts. The SJRA pumpage fees will increase as the costs of the Project are incurred, but the District is unable to predict the magnitude of such increases.

In 2016, the City of Conroe and the City of Magnolia advised the SJRA that they would not pay the rate increases that became effective September 1, 2016 of \$0.07 per thousand gallons for the Pumpage Fee and the Surface Water Fee. The Pumpage Fee and Surface Water Fee were further increased in 2017 and on subsequent occasions, and the City of Conroe and the City of Magnolia have not paid more than the rates set in 2015. On August 31, 2016, the SJRA filed suit in the District Court of Travis County, Texas, pursuant to Chapter 1205 of the Texas Government Code, seeking an expedited declaratory judgment that (i) the SJRA is authorized to set rates for its GRP Participants pursuant to the procedures set forth in the GRP Contracts, (ii) the SJRA adopted its fiscal year 2017 Rate Order, including the setting of its fiscal year 2017 rates, in accordance with the procedures set forth in the GRP Contracts, (iii) the SJRA's fiscal year 2017 rates, the Rate Order, and the GRP Contract are legal and valid, and (iv) the City of Conroe's refusal to pay the fiscal year 2017 rate is a breach of its GRP Contract. The Cities of Conroe, Magnolia, and Splendora, Texas, along with two privately-owned water utilities, Quadvest, L.P. and Woodlands Oaks Utility, L.P. (collectively, the "Intervenors") have intervened in opposition to the SJRA's suit.

The Third Court of Appeals, Austin ruled in September 2018 that the suit was properly filed by the SJRA and should be sent back to the District Court for further proceedings on the first three declarations sought by the SJRA, as described above. The Third Court of Appeals ruled that the SJRA could not pursue the fourth declaration, as described above, under Chapter 1205 of the Texas Government Code. A separate suit would need to be filed to achieve such declaration. Since such ruling, the Intervenors filed a petition for review with the Texas Supreme Court, which was granted. In an opinion delivered on March 27, 2020, the Texas Supreme Court held that the SJRA can use the Expedited Declaratory Judgment Act to determine whether the GRP contracts were validly executed, but claims regarding whether the SJRA complied with the terms of such contracts in establishing rates and charges to the GRP Participants (as well as claims regarding whether the Intervenors have breached the contract by withholding certain payments) will have to be litigated under separate breach of contract actions, with venue likely lying in the District Court in Montgomery County, Texas. The Cities of Conroe, Magnolia and Splendora have petitioned the Supreme Court for rehearing to clarify certain matters in their opinion. Consistent with the Supreme Court's opinion, the SJRA has already filed reach of contract claims against various GRP participants in Montgomery County. At this time, no evaluation can be made as to the outcome of this matter or its impact on the SJRA and the resultant impact on GRP Participants such as the District.

MUD 99 and the District had not initially been scheduled to receive water from the first phase of the Project in 2016. However, MUD 99 and the District requested that the SJRA provide surface water to MUD 99 and the District in 2016 under the terms of the SJRA's early conversion policy. Pursuant to the terms of such policy, the SJRA would pay for the engineering and half of the line construction costs, while the District and MUD 99, through advances from their developers to be reimbursed by such districts, would pay the other half of the construction costs. The request was approved, and the SJRA entered into a Supplemental Agreement (Non-Mandatory Conversion to Surface Water) with MUD 99, the District, and the respective developers. Pursuant to the terms of this agreement, the SJRA will be obligated to provide up to 590,000 gallons per day of treated surface water to MUD 99's water plant. MUD 99 will be required to take at least 253,000 gallons per day in this initial phase. MUD 115's developer committed the necessary funds for water delivery facilities, and construction of such surface water improvements are complete. Effective September 1, 2019, the SJRA assessed surface water fees of \$3.15 per 1,000 gallons of surface water delivered.

Future Debt

With the consent of the District, and pursuant to the prefinancing contracts, the Developer of land in the District has financed the design and construction of improvements for which the Developer has not yet been reimbursed. As of March 1, 2020, the Developer is owed approximately \$2,250,000 for District parks and recreational facilities, which costs are expected to be reimbursed to the Developer from proceeds from future issues of District bonds for parks and recreational facilities. See "THE BONDS—Issuance of Additional Debt." The District has filed a bond application report with the TCEQ requesting approval to sell \$1,390,000 principal amount of unlimited tax bonds for parks and recreational facilities. The District expects approval by the TCEQ and the sale of such bonds in the third or fourth quarter of 2020. See "INVESTMENT CONSIDERATIONS—Future Debt."

BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
11/07/2006	Water, Sewer and Drainage Facilities and Refunding Bonds	\$120,000,000	\$48,990,000*	\$71,010,000*
11/06/2007	Recreational Facilities and Refunding Bonds	\$10,672,000	\$5,525,000	\$5,147,000

* Includes the Bonds.

FINANCIAL STATEMENT

2019 Certified Taxable Assessed Valuation	\$470,343,357	(a)
2020 Preliminary Taxable Assessed Valuation	\$498,659,890	(b)
Direct Debt:		
Outstanding Bonds (as of May 1, 2020)	\$45,760,000	
Less: The Refunded Bonds	4,315,000*	
Plus: The Bonds	4,545,000*	
Gross Debt Outstanding	\$45,990,000*	
Ratios of Gross Debt to:		
2019 Certified Taxable Assessed Valuation	9.78%*	
2020 Preliminary Taxable Assessed Valuation	9.22%*	

Area of District – 686 Acres
Estimated 2020 Population – 5,257 (d)

- (a) As certified by the Montgomery Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
- (b) Provided by the Appraisal District as a preliminary indication of the 2020 taxable value (as of January 1, 2020). Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified in the fall of 2020. See “TAX PROCEDURES.”
- (c) Based upon 3.5 persons per occupied home.

Cash and Investment Balances (unaudited as of May 7, 2020)

Capital Projects Fund	Cash and Temporary Investments	\$2,284,895
Operating Fund	Cash and Temporary Investments	\$6,663,660
Debt Service Fund	Cash and Temporary Investments	\$3,513,723 (a)

- (a) Approximately \$68,000* will be contributed for the purpose for which the Bonds are being issued. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

District Investment Policy

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

Outstanding Bonds (as of May 1, 2020)

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds *	Remaining Outstanding Bonds *
2009	\$ 3,460,000	\$ 250,000	\$ -	\$ 250,000
2010	2,800,000	440,000	235,000	205,000
2011	2,120,000	600,000	525,000	75,000
2012	2,120,000	1,830,000	1,635,000	195,000
2013	2,920,000	2,420,000	1,920,000	500,000
2014	3,750,000	3,375,000	-	3,375,000
2015	5,500,000	4,870,000	-	4,870,000
2015A	7,000,000	6,250,000	-	6,250,000
2016	9,635,000	9,005,000	-	9,005,000
2016A (a)	5,690,000	5,510,000	-	5,510,000
2017	8,860,000	8,310,000	-	8,310,000
2018 (b)	4,055,000	2,000,000	-	2,000,000
2019 (b)	1,470,000	900,000	-	900,000
Total	\$ 59,380,000	\$ 45,760,000	\$ 4,315,000	\$ 41,445,000 *
				4,545,000 *
				\$ 45,990,000 *

(a) Unlimited tax refunding bonds.

(b) Unlimited tax park bonds.

*Preliminary; subject to change.

ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Montgomery County.....	\$522,350,000	2/29/20	0.64%	\$ 3,343,040
Conroe Independent School District.....	1,269,275,000	2/29/20	1.03%	13,073,533
Lone Star College System.....	570,885,000	2/29/20	0.19%	<u>1,084,682</u>
Total Estimated Overlapping Debt				\$17,501,254
The District's Total Direct Debt (a).....				<u>45,990,000*</u>
Total Direct and Estimated Overlapping Debt.....				<u>\$63,491,254*</u>

Direct and Estimated Overlapping Debt as a Percentage of:

2019 Certified Taxable Assessed Valuation of \$470,343,357	13.50%*
2020 Preliminary Taxable Assessed Valuation of \$498,659,890.....	12.73%*

(a) The Bonds and the Remaining Outstanding Bonds.

Overlapping Tax Rates for 2019

	<u>2019 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Montgomery County.....	\$ 0.44750
Montgomery County Hospital District.....	0.05890
Montgomery County Emergency Services District No. 8.....	0.10000
Conroe Independent School District.....	1.23000
Lone Star College System.....	<u>0.10780</u>
Total Overlapping Tax Rate.....	\$ 1.94420
The District.....	<u>1.30000</u>
Total Tax Rate.....	\$ 3.24420

TAX DATA

Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of April 30, 2020 (a)	
				Amount	Percent
2015	\$ 257,952,489	\$ 1.35	\$ 3,482,368	\$ 3,482,368	100.00%
2016	336,565,425	1.35	4,543,449	4,543,449	100.00%
2017	376,591,700	1.35	5,084,649	5,084,649	100.00%
2018	409,975,179	1.32	5,411,672	5,409,771	99.96%
2019	470,343,357	1.30	6,114,377	6,059,410	99.10%

(a) Unaudited.

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

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$ 0.88	\$ 0.90	\$ 0.85	\$ 0.85	\$ 0.85
Maintenance and Operations	0.42	0.42	0.50	0.50	0.50
Total	\$ 1.30	\$ 1.32	\$ 1.35	\$ 1.35	\$ 1.35

Tax Rate Limitations

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

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2019 at the rate of \$0.88 per \$100 assessed valuation. See "Tax Rate Distribution" above.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by the District's voters. At an election held November 7, 2006, the Board was authorized to levy such a maintenance tax in an unlimited rate in accordance with the constitution and laws of the state of Texas. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2019 at the rate of \$0.42 per \$100 assessed valuation. See "Tax Rate Distribution" above.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. For 2020, the District has adopted a \$10,000 exemption for persons who are 65 or older and/or disabled. The Developer has executed a Waiver of Special Appraisal, waiving its right to claim any agriculture or open space exemptions, or any other type of exemption or valuation, for the property it owns within the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waiver is binding for a period of thirty years.

Additional Penalties

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

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2019 tax roll which reflects ownership at January 1, 2019. A principal taxpayer list related to the 2020 Preliminary Taxable Assessed Valuation of \$498,659,890 which is subject to review and downward adjustment prior to certification, is not available from the Appraisal District.

Taxpayer	Type of Property	2019 Certified	% of
		Taxable Assessed Valuation	2019 Certified Taxable Assessed Valuation
Centerpoint Energy Houston Electric	Electric Utility	\$ 1,112,170	0.24%
Imperial Oaks Development (a)	Acreage and Lots	760,310	0.16%
Individual	Residence	736,720	0.16%
Individual	Residence	724,560	0.15%
Individual	Residence	708,440	0.15%
Individual	Residence	672,850	0.14%
Individual	Residence	658,000	0.14%
Individual	Residence	652,650	0.14%
Individual	Residence	648,390	0.14%
Individual	Residence	628,050	0.13%
Total		<u>\$ 7,302,140</u>	<u>1.55%</u>

(a) See "THE DEVELOPER."

Summary of Assessed Valuation

The following summary of the 2019, 2018 and 2017 Certified Taxable Assessed Valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2019, 2018 and 2017 tax rolls of the District. A breakdown of the 2020 Preliminary Taxable Assessed Valuation, which is subject to review and downward revision prior to certification, is not available from the Appraisal District.

	2019	2018	2017
	Certified Taxable Assessed Valuation	Certified Taxable Assessed Valuation	Certified Taxable Assessed Valuation
Land	\$ 56,949,310	\$ 56,373,690	\$ 56,220,950
Improvements	433,383,640	370,795,930	335,804,800
Personal Property	5,682,600	4,926,988	4,076,254
Exemptions	(25,672,193)	(22,121,429)	(19,510,304)
Total	<u>\$ 470,343,357</u>	<u>\$ 409,975,179</u>	<u>\$ 376,591,700</u>

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2019 Certified Taxable Assessed Valuation of \$470,343,357, and the 2020 Preliminary Taxable Assessed Valuation of \$498,659,890, and a debt service tax rate necessary to pay the District's average annual debt service requirements on the District's Remaining Outstanding Bonds and the Bonds.

Average Annual Debt Service Requirement (2021-2041).....\$2,861,314*

\$0.65* Tax Rate on the 2019 Certified Taxable Assessed Valuation.....\$2,904,370*

\$0.61* Tax Rate on the 2020 Preliminary Taxable Assessed Valuation.....\$2,889,734*

No representations or suggestions are made that the 2020 Preliminary Taxable Assessed Valuation, which is subject to review and downward revision prior to certification, 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 "TAX PROCEDURES."

TAX PROCEDURES

Authority to Levy Taxes

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

Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

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

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

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

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

Tax Abatement

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

Valuation of Property for Taxation

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

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

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

Levy and Collection of Taxes

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

collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" 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 districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the 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 as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all 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, 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 1.08 times the previous year's operation and maintenance tax rate.

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, subject to certain homestead exemptions for the preceding tax year, 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 1.035 times the previous year's operation and maintenance tax rate 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 rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, 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 1.08 times the previous year's operation and maintenance tax rate.

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

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

The Effect of FIRREA on Tax Collections of the District

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

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

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

WATER AND SEWER OPERATIONS

General

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

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended 2016 through 2019 and an unaudited summary for the period ended of February 29, 2020 provided by the District's bookkeeper. Reference is made to such statements for further and complete information.

		Fiscal Year Ended May 31			
	6/1/2019 to 2/29/2020 (a) (Unaudited)	2019	2018	2017	2016
Revenues					
Property Taxes	\$ 1,956,410	\$ 1,714,792	\$ 1,896,241	\$ 1,668,696	\$ 1,294,652
Water Service	328,282	370,316	350,548	330,740	287,419
Wastewater Service	478,253	602,960	561,549	521,301	446,833
Conservation District/ Water Authority Fees	492,923	545,341	527,171	452,707	357,693
Penalty and Interest	14,920	15,596	16,301	15,922	15,529
Tap Connection and Inspection Fees	17,675	41,640	120,050	112,645	126,890
Sale of Capacity	632,332	629,426	694,560	-	-
Investment Income	62,767	36,091	4,063	2,221	1,030
Other	-	11,410	9,710	30,779	18,661
Total Revenues	\$ 3,983,562	\$ 3,967,572	\$ 4,180,193	\$ 3,135,011	\$ 2,548,707
Expenditures					
Professional Fees	\$ 100,195	\$ 125,075	\$ 112,024	\$ 104,720	\$ 146,127
Contracted Services	300,187	359,064	315,976	286,079	232,887
Purchased Water Services	598,439	620,540	722,875	634,049	548,354
Purchased Wastewater Services	170,358	238,746	279,501	318,080	191,565
Utilities	143,893	166,019	183,585	169,588	179,283
Repairs and Maintenance	393,082	623,114	504,075	713,204	476,884
Other	81,562	138,071	164,928	162,044	185,034
Capital Outlay	-	466,143	467,999	56,799	1,636,599 (b)
Total Expenditures	\$ 1,787,716	\$ 2,736,772	\$ 2,750,963	\$ 2,444,563	\$ 3,596,733
Net Revenues	\$ 2,195,846	\$ 1,230,800	\$ 1,429,230	\$ 690,448	\$ (1,048,026)
Other Sources (Interfund Transfer)	\$ 30,000		\$ -	\$ 259,510	\$ 1,327,541 (c)
Fund Balance (Beginning of Year)	\$ 4,844,648	\$ 3,613,848	\$ 2,184,618	\$ 1,234,660	\$ 955,145
Fund Balance (End of Year)	\$ 7,070,494	\$ 4,844,648	\$ 3,613,848	\$ 2,184,618	\$ 1,234,660

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

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

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

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Declines on the Houston Area

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Recent Extreme Weather Events; Hurricane Harvey

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

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

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

Specific Flood Type Risks

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

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

Future Debt

The District reserves in the Bond Order the right to issue the remaining \$71,010,000* principal amount of authorized and unissued unlimited tax bonds for the purpose of acquiring and constructing water, sewer and drainage facilities and refunding purposes. The District also has \$5,147,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of developing parks and recreational facilities and refunding purposes.

The District has filed a bond application report with the TCEQ requesting approval to sell \$1,390,000 principal amount of unlimited tax bonds for parks and recreational facilities. The District expects approval by the TCEQ and the sale of such bonds in the third or fourth quarter of 2020.

The District may issue additional bonds approved by District voters in future elections. See “THE BONDS—Issuance of Additional Debt” and “THE SYSTEM.” The issuance of such obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued; however, the principal amount of bonds issued to develop parks and recreational facilities may not exceed 1% of the District’s taxable value. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities and recreational facilities must be approved by the Commission.

Tax Collections Limitations

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

Registered Owners’ Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

The District has no agreement with the 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.

Environmental Regulation and Air Quality

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

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

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

Air Quality 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.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA 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 United States Army Corps of Engineers (“USACE”) if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2015, the EPA and 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 expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The EPA published the NWPR in the Federal Register on April 21, 2020. The NWPR will go into effect on June 22, 2020 and will likely become the subject of further litigation.

Due to ongoing rulemaking activity, as well as existing and possible future litigation, there remains 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 additional permitting requirements.

Operations of Utility Districts are also potentially subject to stormwater discharge permitting requirements under the Clean Water Act and EPA and TCEQ regulations. The TCEQ issued a general permit for stormwater discharges associated with industrial activities (which was amended and reissued on July 13, 2016, effective August 14, 2016) and a general permit for stormwater discharges associated with small municipal separate storm sewer systems (which was issued on August 13, 2007 and was amended and reissued on December 11, 2013). Utility Districts in certain urbanized areas are also required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code. A small portion of the District is located in the Woodlands Urbanized Area, but the portion of the District in that area does not service any residents. The District is therefore entitled to a waiver, and on April 4, 2019, such waiver was submitted to the TCEQ pending approval.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations:

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

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

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

LEGAL MATTERS

Legal Opinion

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

Legal Review

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Discount Bonds

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

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

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

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

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

Federal Income Tax Accounting Treatment of Premium Bonds

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

Future and Proposed Legislation

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service (“Moody's”) has assigned an underlying rating of “A3” to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

The use of insurance and the payment of an insurance premium is at the option and expense of the District. The rating fees of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

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 adequacy of funds and maturing principal of and interest on the Escrowed Securities held by the Escrow Agent to provide for the payment of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

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 all information provided to it by the District's retained advisors, consultants or legal counsel.

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of \$_____ (representing the par amount of the Bonds of \$_____, plus a net premium on the Bonds of \$_____, less an Underwriter's discount of \$_____) 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 has reviewed the information in this official statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

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

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

Securities Laws

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is 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.

Auditor: The District's audited financial statements for the year ended May 31, 2019, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant. See "APPENDIX A" for a copy of the District's May 31, 2019, audited financial statements.

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

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

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

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

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the 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 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 as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DEBT SERVICE REQUIREMENTS," "FINANCIAL STATEMENT," "THE SYSTEM," "TAX DATA," and "WATER AND SEWER OPERATIONS" (most of which information is contained in the District's annual audit report and supplemental schedules) and in APPENDIX A. The District will update and provide this information to the MSRB within six (6) months after the end of each fiscal year ending in or after 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 "Rule"). The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Specified Event Notices

The District will provide timely notices of certain events to the MSRB via EMMA, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material (15) incurrence of a financial obligation of the District or an 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 an obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or an 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. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

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

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

APPENDIX A

District Audited Financial Statements for the fiscal year ended May 31, 2019

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-35
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	37
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	39-41
GENERAL FUND EXPENDITURES	42-43
TAXES LEVIED AND RECEIVABLE	44-45
LONG-TERM DEBT SERVICE REQUIREMENTS	46-58
CHANGE IN LONG-TERM BOND DEBT	59-61
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	62-65
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	66-67

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 115 (the "District"), as of and for the year ended May 31, 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.

Board of Directors
Montgomery County Municipal
Utility District No. 115

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 5, 2019

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019

Management's discussion and analysis of Montgomery County Municipal Utility District No. 115's (the "District") financial performance provides an overview of the District's financial activities for the year ended May 31, 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 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 like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

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

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

FUND FINANCIAL STATEMENTS

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 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, liabilities exceeded assets and deferred outflows of resources by \$1,879,018 as of May 31, 2019.

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 11,382,266	\$ 11,123,550	\$ 258,716
Capital Assets (Net of Accumulated Depreciation)	<u>37,672,475</u>	<u>38,776,364</u>	<u>(1,103,889)</u>
Total Assets	\$ 49,054,741	\$ 49,899,914	\$ (845,173)
Deferred Outflows of Resources	\$ 578,272	\$ 618,272	\$ (40,000)
Due to Developer	\$ 3,235,866	\$ 6,939,507	\$ 3,703,641
Long -Term Liabilities	44,958,411	44,429,908	(528,503)
Other Liabilities	<u>3,317,754</u>	<u>2,692,045</u>	<u>(625,709)</u>
Total Liabilities	\$ 51,512,031	\$ 54,061,460	\$ 2,549,429
Net Position:			
Net Investment in Capital Assets	\$ (10,398,098)	\$ (11,167,972)	\$ 769,874
Restricted	3,657,154	4,000,749	(343,595)
Unrestricted	<u>4,861,926</u>	<u>3,623,949</u>	<u>1,237,977</u>
Total Net Position	\$ <u>(1,879,018)</u>	\$ <u>(3,543,274)</u>	\$ <u>1,664,256</u>

The following table provides a summary of the District's operations for the years ended May 31, 2019, and May 31, 2018. The District's net position increased by \$1,664,256 during the year ended May 31, 2019.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 5,415,669	\$ 5,109,351	\$ 306,318
Charges for Services	1,588,529	1,587,046	1,483
Other Revenues	<u>124,757</u>	<u>46,320</u>	<u>78,437</u>
Total Revenues	\$ 7,128,955	\$ 6,742,717	\$ 386,238
Expenses for Services	<u>5,464,699</u>	<u>5,574,749</u>	<u>110,050</u>
Change in Net Position	\$ 1,664,256	\$ 1,167,968	\$ 496,288
Net Position, Beginning of Year	<u>(3,543,274)</u>	<u>(4,711,242)</u>	<u>1,167,968</u>
Net Position, End of Year	\$ <u>(1,879,018)</u>	\$ <u>(3,543,274)</u>	\$ <u>1,664,256</u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's combined fund balances as of May 31, 2019, were \$10,852,141, an increase of \$629,239 for the year then ended.

The General Fund fund balance increased by \$1,230,800, primarily due to operating revenues exceeding operating costs.

The Debt Service Fund fund balance decreased by \$360,186, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$241,375, primarily due to current year capital outlay related to Water Plant No. 2, water, wastewater and drainage facilities for various Falls at Imperial Oaks sections, and Imperial Oaks Recreation Center and Amenity Lake.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did amend the budget during the year ended May 31, 2019. Actual revenue was \$516,572 more than budgeted revenue primarily due to more sale of capacity than budgeted. Actual expenditures were less than budgeted expenditures by \$138,478 primarily due to less purchased water service and repairs and maintenance than budgeted.

CAPITAL ASSETS

The District's capital assets as of May 31, 2019, amount to \$37,672,475 (net of accumulated depreciation). These capital assets include the water, wastewater and drainage systems, as well as parks and recreational facilities and the District's investment in the water and wastewater plants and facilities operated by Montgomery County Municipal Utility District No. 99 and the San Jacinto River Authority.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 922,823	\$ 922,823	\$
Construction in Progress		2,217,394	(2,217,394)
Capital Assets, Net of Accumulated Depreciation:			
Street Lights	80,573	86,663	(6,090)
Water System	3,756,002	3,750,308	5,694
Wastewater System	7,763,360	7,814,220	(50,860)
Drainage System	15,195,922	15,373,015	(177,093)
Parks and Recreation	3,349,568	3,649,905	(300,337)
Investment in Water and Wastewater Plants	6,604,227	4,962,036	1,642,191
Total Net Capital Assets	<u>\$ 37,672,475</u>	<u>\$ 38,776,364</u>	<u>\$ (1,103,889)</u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019

LONG-TERM DEBT ACTIVITY

As of May 31, 2019, the District had total bond debt payable of \$47,330,000.

The changes in the debt position of the District during the year ended May 31, 2019, are summarized as follows:

Bond Debt Payable, June 1, 2018	\$ 45,780,000
Add: Bond Sale - Series 2018	4,055,000
Less: Bond Principal Paid	<u>2,505,000</u>
Bond Debt Payable, May 31, 2019	<u>\$ 47,330,000</u>

The District's bonds have an underlying rating of A3 from Moody's Rating Services. The Series 2015A, Series 2016A refunding and Series 2017 bonds have an insured rating of AA from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The District's Series 2009, Series 2010, Series 2011, Series 2012, Series 2013, Series 2014, Series 2015, Series 2016 and Series 2018 bonds do not have an insured rating. All ratings are as of May 31, 2019, and reflect changes, if any, through that date.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The adopted budget for fiscal year 2020 projects a General Fund fund balance increase of \$1,089,250. General Fund revenues are budgeted to be \$3,815,000, while expenditures are budgeted to be \$2,725,750.

CONTACTING THE DISTRICT'S MANAGEMENT

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 4,874,876	\$ 4,020,114
Receivables:		
Property Taxes	17,278	37,015
Penalty and Interest on Delinquent Taxes		
Service Accounts	96,541	
Due from Other Funds	42,995	
Prepaid Costs	6,323	
Advance for Water Plant Operations	10,000	
Advance for Regional Wastewater Treatment Plant Operations	9,270	
Capital Assets (Net of Accumulated Depreciation):		
Land and Land Improvements		
Construction in Progress		
Street Lights		
Water, Wastewater and Drainage Systems		
Park and Recreation		
Investment in Water and Wastewater Plants		
TOTAL ASSETS	<u>\$ 5,057,283</u>	<u>\$ 4,057,129</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,057,283</u>	<u>\$ 4,057,129</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 Net Position</u>
\$ 2,306,321	\$ 11,201,311	\$	\$ 11,201,311
	54,293		54,293
		4,528	4,528
	96,541		96,541
	42,995	(42,995)	
	6,323		6,323
	10,000		10,000
	9,270		9,270
		922,823	922,823
		80,573	80,573
		26,715,284	26,715,284
		3,349,568	3,349,568
		6,604,227	6,604,227
<u>\$ 2,306,321</u>	<u>\$ 11,420,733</u>	<u>\$ 37,634,008</u>	<u>\$ 49,054,741</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 578,272</u>	<u>\$ 578,272</u>
<u>\$ 2,306,321</u>	<u>\$ 11,420,733</u>	<u>\$ 38,212,280</u>	<u>\$ 49,633,013</u>

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 105,880	\$
Accrued Interest Payable		
Due to Other Governmental Units	7,387	
Due to Developers		
Due to Other Funds		7,746
Due to Taxpayers		20,307
Security Deposits	82,090	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	<u>\$ 195,357</u>	<u>\$ 28,053</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 17,278	\$ 37,015
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 6,323	\$
For Water Plant Operations	10,000	
For Regional Wastewater Treatment Plant Operations	9,270	
Restricted for:		
Authorized Construction		
Debt Service		3,992,061
Unassigned	4,819,055	
TOTAL FUND BALANCES	<u>\$ 4,844,648</u>	<u>\$ 3,992,061</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,057,283</u>	<u>\$ 4,057,129</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 105,880	\$	\$ 105,880
		376,450	376,450
255,640	263,027		263,027
		3,235,866	3,235,866
35,249	42,995	(42,995)	
	20,307		20,307
	82,090		82,090
		2,470,000	2,470,000
		44,958,411	44,958,411
<u>\$ 290,889</u>	<u>\$ 514,299</u>	<u>\$ 50,997,732</u>	<u>\$ 51,512,031</u>
<u>\$ - 0 -</u>	<u>\$ 54,293</u>	<u>\$ (54,293)</u>	<u>\$ - 0 -</u>
\$	\$ 6,323	\$ (6,323)	\$
	10,000	(10,000)	
	9,270	(9,270)	
2,015,432	2,015,432	(2,015,432)	
	3,992,061	(3,992,061)	
	4,819,055	(4,819,055)	
<u>\$ 2,015,432</u>	<u>\$ 10,852,141</u>	<u>\$ (10,852,141)</u>	<u>\$ - 0 -</u>
<u>\$ 2,306,321</u>	<u>\$ 11,420,733</u>		
		\$ (10,398,098)	\$ (10,398,098)
		3,657,154	3,657,154
		4,861,926	4,861,926
		<u>\$ (1,879,018)</u>	<u>\$ (1,879,018)</u>

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2019

Total Fund Balances - Governmental Funds \$ 10,852,141

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. 37,672,475

Deferred inflows of resources related to property tax revenues and uncollected penalty and interest revenues on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District. 58,821

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 578,272

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

Due to Developer	\$ (3,235,866)	
Accrued Interest Payable	(376,450)	
Bonds Payable Within One Year	(2,470,000)	
Bonds Payable After One Year	<u>(44,958,411)</u>	<u>(51,040,727)</u>

Total Net Position - Governmental Activities \$ (1,879,018)

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

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,714,792	\$ 3,673,854
Water Service	370,316	
Wastewater Service	602,960	
Conservation District/Water Authority Fees	545,341	
Penalty and Interest	15,596	10,425
Tap Connection and Inspection Fees	41,640	
Sale of Capacity	629,426	
Investment Revenues	36,091	56,964
Miscellaneous Revenues	11,410	
TOTAL REVENUES	<u>\$ 3,967,572</u>	<u>\$ 3,741,243</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 125,075	\$ 1,096
Contracted Services	359,064	77,802
Purchased Water Service	620,540	
Purchased Wastewater Service	238,746	
Utilities	166,019	
Repairs and Maintenance	623,114	
Depreciation		
Other	138,071	6,787
Capital Outlay	466,143	
Debt Service:		
Bond Principal		2,505,000
Bond Interest		1,510,744
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,736,772</u>	<u>\$ 4,101,429</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	<u>\$ 1,230,800</u>	<u>\$ (360,186)</u>
OTHER FINANCING SOURCES		
Long-Term Debt Issued	<u>\$</u>	<u>\$</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,230,800</u>	<u>\$ (360,186)</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JUNE 1, 2018	<u>3,613,848</u>	<u>4,352,247</u>
FUND BALANCES/NET POSITION - MAY 31, 2019	<u>\$ 4,844,648</u>	<u>\$ 3,992,061</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 5,388,646	\$ 27,023	\$ 5,415,669
	370,316		370,316
	602,960		602,960
	545,341		545,341
	26,021	2,251	28,272
	41,640		41,640
	629,426	(629,426)	
20,292	113,347		113,347
	11,410		11,410
<u>\$ 20,292</u>	<u>\$ 7,729,107</u>	<u>\$ (600,152)</u>	<u>\$ 7,128,955</u>
\$	\$ 126,171	\$	\$ 126,171
	436,866		436,866
	620,540		620,540
	238,746		238,746
	166,019		166,019
22,108	645,222		645,222
		1,170,494	1,170,494
214	145,072		145,072
3,933,529	4,399,672	(4,399,672)	
	2,505,000	(2,505,000)	
	1,510,744	44,009	1,554,753
360,816	360,816		360,816
<u>\$ 4,316,667</u>	<u>\$ 11,154,868</u>	<u>\$ (5,690,169)</u>	<u>\$ 5,464,699</u>
<u>\$ (4,296,375)</u>	<u>\$ (3,425,761)</u>	<u>\$ 5,090,017</u>	<u>\$ 1,664,256</u>
<u>\$ 4,055,000</u>	<u>\$ 4,055,000</u>	<u>\$ (4,055,000)</u>	<u>\$</u>
\$ (241,375)	\$ 629,239	\$ (629,239)	\$
		1,664,256	1,664,256
<u>2,256,807</u>	<u>10,222,902</u>	<u>(13,766,176)</u>	<u>(3,543,274)</u>
<u>\$ 2,015,432</u>	<u>\$ 10,852,141</u>	<u>\$ (12,731,159)</u>	<u>\$ (1,879,018)</u>

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019

Net Change in Fund Balances - Governmental Funds	\$	629,239
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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.		27,023
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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.		2,251
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Governmental funds report sale of capacity when collected. However, in the Statement of Net Position, capital assets are decreased by sales of capacity and the Statement of Activities is not affected.		(629,426)
--	--	-----------

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.		(1,170,494)
--	--	-------------

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.		4,399,672
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Governmental funds report bond premiums and discounts as other financing sources and uses in the year paid and deferred charges on refundings as a deferred outflow in the governmental activities. However, in the Statement of Net Position, bond premiums and discounts are amortized over the life of the bonds as well as deferred charges on refundings and the current year amortized portion is recorded in the Statement of Activities.		(38,503)
--	--	----------

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		2,505,000
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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.		(5,506)
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Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(4,055,000)
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Change in Net Position - Governmental Activities	\$	<u>1,664,256</u>
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The accompanying notes to the financial
statements are an integral part of this report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 1. CREATION OF DISTRICT

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Government-Wide Financial Statements

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

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

Service Accounts Receivable

The District provides for uncollectible accounts receivable through the allowance method of accounting. Under this method a provision for uncollectible accounts is charged to bad debt expense, and the allowance account is increased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the account. At May 31, 2019, the District had no allowance for doubtful accounts.

Capital Assets

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the year ended May 31, 2019.

Pensions

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

Measurement Focus

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

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 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. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT

	Series 2009	Series 2010	Series 2011
Amounts Outstanding – May 31, 2019	\$ 360,000	\$ 540,000	\$ 675,000
Interest Rates	4.80% - 5.10%	4.00% - 4.50%	3.25% - 4.70%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2021	September 1, 2019/2023	September 1, 2019/2027
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2018*	September 1, 2019*	September 1, 2019*
	Series 2012	Series 2013	Series 2014
Amounts Outstanding – May 31, 2019	\$ 1,885,000	\$ 2,520,000	\$ 3,450,000
Interest Rates	2.50% - 4.00%	2.00% - 3.875%	3.00% - 4.375%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2035	September 1, 2019/2037	September 1, 2019/2037
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2020*	September 1, 2020*	September 1, 2021*

* The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2011 term bonds due September 1, 2022, 2024, and 2027, Series 2012 term bonds due September 1, 2029, 2032, and 2035, Series 2013 term bonds due September 1, 2037 and Series 2014 term bonds due September 1, 2035 and 2037 are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2015	Series 2015A	Series 2016
Amounts Outstanding – May 31, 2019	\$ 5,035,000	\$ 6,500,000	\$ 9,225,000
Interest Rates	2.00% - 4.00%	3.00% - 3.75%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2038	September 1, 2019/2039	September 1, 2019/2041
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2022**	September 1, 2023**	September 1, 2023**

	Refunding Series 2016A	Series 2017	Series 2018
Amounts Outstanding – May 31, 2019	\$ 5,555,000	\$ 8,585,000	\$ 3,000,000
Interest Rates	2.00% - 4.00%	2.00% - 3.50%	2.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2034	September 1, 2019/2041	March 1, 2020/2024
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024**	September 1, 2024**	N/A

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

As of May 31, 2019, the District had authorized but unissued bonds in the amount of \$71,240,000 for utility facilities and \$6,617,000 for recreational facilities.

The following is a summary of transactions regarding long-term liabilities for the year ended May 31, 2019:

	June 1, 2018	Additions	Retirements	May 31, 2019
Bonds Payable	\$ 45,780,000	\$ 4,055,000	\$ 2,505,000	\$ 47,330,000
Unamortized Discounts	(75,742)		(9,302)	(66,440)
Unamortized Premiums	175,650		10,799	164,851
Total Long-Term Liabilities	<u>\$ 45,879,908</u>	<u>\$ 4,055,000</u>	<u>\$ 2,506,497</u>	<u>\$ 47,428,411</u>
		Amount Due Within One Year		\$ 2,470,000
		Amount Due After One Year		<u>44,958,411</u>
		Total Long-Term Liabilities		<u>\$ 47,428,411</u>

On August 7, 2018, the District issued \$4,055,000 of Unlimited Tax Park Bonds, Series 2018, with an interest rate of 2.00%. The net proceeds of \$3,842,534 (after payment of underwriter fees and other bond related costs) were used to finance developer funded construction costs, fund future interest payments and pay subsequent bond issue costs.

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

Fiscal Year	Principal	Interest	Total
2020	\$ 2,470,000	\$ 1,486,327	\$ 3,956,327
2021	2,015,000	1,425,224	3,440,224
2022	2,055,000	1,372,027	3,427,027
2023	2,095,000	1,320,161	3,415,161
2024	2,135,000	1,268,241	3,403,241
2025-2029	8,825,000	5,530,248	14,355,248
2030-2034	10,250,000	3,964,489	14,214,489
2035-2039	11,985,000	2,020,580	14,005,580
2040-2042	5,500,000	254,814	5,754,814
	<u>\$ 47,330,000</u>	<u>\$ 18,642,111</u>	<u>\$ 65,972,111</u>

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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The District defeased certain outstanding general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all the future debt service payments on the old bonds. Accordingly, the trust account assets and the defeased bonds are not included in the District's financial statements. At May 31, 2019, outstanding bonds of \$2,660,000 are considered defeased.

During the year ended May 31, 2019, the District levied an ad valorem debt service tax rate of \$0.90 per \$100 of assessed valuation, which resulted in a tax levy of \$3,694,086 on the adjusted taxable valuation of \$410,131,013 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 cost of assessing and collecting taxes. See Note 8 for the maintenance tax levy.

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

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

For the Series 2009, Series 2010, Series 2011, Series 2012, Series 2013, Series 2014 Series 2015, Series 2015A, Series 2016, Series 2016A, Series 2017 and Series 2018 bond issues, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

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

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

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 \$11,201,311 and the bank balance was \$11,196,364. Of the bank balance, \$837,346 was covered by federal depository insurance and the remaining balance was covered by collateral pledged in the name of the District and held in a third party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2019, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 4,874,876
DEBT SERVICE FUND	4,020,114
CAPITAL PROJECTS FUND	<u>2,306,321</u>
TOTAL DEPOSITS	<u><u>\$ 11,201,311</u></u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (continued)

Investments

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

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

As of May 31, 2019, the District had no investments.

Restrictions

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

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 6. CAPITAL ASSETS

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

	June 1, 2018	Increases	Decreases	May 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 922,823	\$	\$	\$ 922,823
Construction in Progress	<u>2,217,394</u>	<u>204,017</u>	<u>2,421,411</u>	<u></u>
Total Capital Assets Not Being Depreciated	<u>\$ 3,140,217</u>	<u>\$ 204,017</u>	<u>\$ 2,421,411</u>	<u>\$ 922,823</u>
Capital Assets Subject to Depreciation				
Street Lights	\$ 121,799	\$	\$	\$ 121,799
Water System	4,299,359	102,310		4,401,669
Wastewater System	9,066,213	151,906		9,218,119
Drainage System	18,412,290	237,798		18,650,088
Parks and Recreation	5,878,666			5,878,666
Investment in Water and Wastewater Plants	<u>5,571,176</u>	<u>2,421,411</u>	<u>629,426</u>	<u>7,363,161</u>
Total Capital Assets Subject to Depreciation	<u>\$ 43,349,503</u>	<u>\$ 2,913,425</u>	<u>\$ 629,426</u>	<u>\$ 45,633,502</u>
Accumulated Depreciation				
Street Lights	\$ 35,136	\$ 6,090	\$	\$ 41,226
Water System	549,051	96,616		645,667
Wastewater System	1,251,993	202,766		1,454,759
Drainage System	3,039,275	414,891		3,454,166
Parks and Recreation	2,228,761	300,337		2,529,098
Investment in Water and Wastewater Plants	<u>609,140</u>	<u>149,794</u>	<u></u>	<u>758,934</u>
Total Accumulated Depreciation	<u>\$ 7,713,356</u>	<u>\$ 1,170,494</u>	<u>\$ - 0 -</u>	<u>\$ 8,883,850</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 35,636,147</u>	<u>\$ 1,742,931</u>	<u>\$ 629,426</u>	<u>\$ 36,749,652</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 38,776,364</u>	<u>\$ 1,946,948</u>	<u>\$ 3,050,837</u>	<u>\$ 37,672,475</u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 7. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources consisted of the following at May 31, 2019:

	June 1, 2018	Additions	Retirements	May 31, 2019
Deferred charges				
on refunding bonds	\$ 618,272	\$ - 0 -	\$ 40,000	\$ 578,272

NOTE 8. MAINTENANCE TAX

On November 7, 2006, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended May 31, 2019, the District levied an ad valorem maintenance tax at the rate of \$0.42 per \$100 of assessed valuation, which resulted in a tax levy of \$1,723,907 on the taxable valuation of \$410,131,013 for the 2018 tax year.

NOTE 9. WATER SUPPLY AGREEMENTS

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 9. WATER SUPPLY AGREEMENTS (Continued)

Effective July 24, 2012, the District and District No. 99 approved the Second Amended and Restated Agreement. On December 17, 2013, the District and District No. 99 approved the Third Amended and Restated Agreement. On May 7, 2015, the District, District No. 99 and Montgomery County Municipal Utility District No. 127 ("District No. 127") approved the Fourth Amended and Restated Agreement whereby District No. 127 was added as a party to the Water Supply Agreement. The districts have agreed to pay for the operation and maintenance of the water plant facilities. Costs of the water plant are to be categorized as fixed costs and variable costs. The districts are billed monthly for their fixed costs based upon their pro-rata share of the capacity in the water plant facilities. The districts are also billed monthly for their share of the variable costs. Each district's variable cost for the billing period will be calculated by multiplying the total variable costs incurred by a fraction whose numerator equals the total metered flow of water to each district during the billing period, and whose denominator is the total metered pumpage from the water plant during the billing period. In the event the total metered flow to all district's customers is less than the metered pumpage from the water plant in a billing period, the remaining amount will be pro-rated among the districts in proportion to each district's fixed expenses in the same billing period. In addition, the District and District No. 127 have agreed to pay District No. 99 an overhead fee equal to 10% of their respective variable costs. During the current fiscal year, the District sold capacity in the water plant to District No. 99 for \$141,896.

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

The District	75.60%
District No. 99	17.00
District No. 127	<u>7.40</u>
Total	<u>100.00%</u>

During the year ended May 31, 2019, the District's share of the Plant's expenditures was \$620,540. The districts have also made an advance for operations of the water plant facilities. Total operating advances from all participants is \$17,500. The District's share is \$10,000.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 9. WATER SUPPLY AGREEMENTS (Continued)

Summary financial activities of the water plant as of May 31, 2019, and for the year then ended are as follows:

Total Assets	\$ 120,721
Total Liabilities	<u>120,721</u>
Total Fund Balance	<u>\$ -0-</u>
 Total Revenues	 \$ 893,466
Total Expenditures	<u>893,466</u>
Net Change in Fund Balance	\$ -0-
Fund Balance – June 1, 2018	<u>-0-</u>
Fund Balance – May 31, 2019	<u>\$ -0-</u>

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

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

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 9. WATER SUPPLY AGREEMENTS (Continued)

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

NOTE 10. WASTE DISPOSAL AGREEMENT

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

The districts have agreed to pay for the operation and maintenance of the waste disposal plant. Costs of the waste disposal plant are to be categorized as fixed costs and variable costs. The districts are billed monthly for their fixed costs based upon their pro-rata share of the capacity in the waste disposal plant. The districts are also billed monthly for their share of the variable costs. Each district's variable cost for the billing period will be calculated by multiplying the total variable costs incurred by a fraction whose numerator equals the calculated waste flow entering the waste disposal plant attributable to each district during the billing period, and whose denominator is the total amount of calculated waste flow entering the waste disposal plant during the billing period. The calculated waste flow, defined per the Waste Disposal Agreement, is calculated by adding the total metered water consumption through all connections within each district, not including water consumption through metered irrigation connections. In addition, the District has agreed to pay District No. 99 an overhead fee equal to 10% of its respective variable costs. During the current fiscal year, the District sold capacity in the waste disposal plant to District No. 99 for \$487,530.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 10. WASTE DISPOSAL AGREEMENT (Continued)

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

The District	55.76%
District No. 99	<u>44.24</u>
Total	<u>100.00%</u>

During the year ended May 31, 2019, the District's share of the wastewater plant's expenditures was \$238,746. The districts have also made an advance for operations of the waste disposal plant. Total operating advances from all participants is \$25,750. The District's share is \$9,270, while District No. 99's share is \$16,480.

Summary financial activities of the regional wastewater treatment plant as of May 31, 2019, and for the year then ended are as follows:

Total Assets	\$ 73,319
Total Liabilities	<u>73,319</u>
Total Fund Balance	<u>\$ -0-</u>
Total Revenues	\$ 294,091
Total Expenditures	<u>294,091</u>
Net Change in Fund Balance	\$ -0-
Fund Balance – June 1, 2018	<u>-0-</u>
Fund Balance – May 31, 2019	<u><u>\$ -0-</u></u>

NOTE 11. UNREIMBURSED COSTS

The District has executed reimbursement agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater and drainage facilities and the parks and recreational facilities until such time as the District can sell bonds. As of May 31, 2019, the District has recorded \$3,235,866, consisting of \$3,173,754 for costs associated with the parks and recreational facilities and \$62,112 for costs associated with water, wastewater and drainage facilities, as Due to Developer for completed projects. This liability has been recorded in the Statement of Net Position.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 12. RISK MANAGEMENT

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

NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of May 31, 2019, the District had the following interfund liabilities: the Debt Service Fund owed the General Fund \$7,746 for maintenance tax collections and the Capital Projects Fund owed the General Fund \$35,249 for fees related to bond issuances.

NOTE 14. LONE STAR GROUNDWATER CONSERVATION DISTRICT

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

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

The Conservation District charges production fees based on the amount of water authorized by permit to be withdrawn from a well. This fee enables the Conservation District to fulfill its purpose and regulatory functions. The current permit fee is \$0.105 per 1,000 gallons of water pumped from each well. During the current fiscal year, the water plant operated by District No. 99 recorded an expenditure of \$32,747 pertaining to these fees.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 15. SAN JACINTO RIVER AUTHORITY

On June 1, 2010, District No. 99 entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the "Authority"). The District and the Authority operate within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"). The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. A surface water treatment and transmission system (the "Project") is proposed to be designed, constructed, operated, and maintained by the Authority in order to provide phased treatment, transmission, and delivery of the Authority's surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater. The Authority will develop a Groundwater Reduction Plan (the "GRP") for all participants. The Authority charges a fee, currently \$2.64 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 water plant operated by District No. 99 recorded expenditures of \$732,816 in relation to this contract.

On April 24, 2014, the District and District No. 99, along with each districts Developers, entered into the Supplemental Agreement (Non-Mandatory Conversion to Surface Water) with the Authority. This agreement outlines the design and construction of the facilities in two separate phases. In accordance with the provisions related to Phase I, the District's Developer advanced \$294,000 to the District for the initial payment required to the Authority for the design of Phase I. During fiscal year 2016, the District's Developer advanced \$1,327,541 to the District for costs related to construction of the facilities. As part of the Series 2017 bond issuance in fiscal year 2017, the Developer was reimbursed by the District for the sum of these prior year advances as well as interest of \$93,846. In fiscal year 2018, the project was completed, and the Authority refunded the District \$262,607. The District recorded an investment in water plant of \$1,452,780 related to this project in fiscal year 2018. The Authority is obligated to provide up to 590,000 gallons per day of treated surface water to the water plant shared with District No. 99 and District No. 99 will be required to take at least 253,000 gallons per day.

NOTE 16. SUBSEQUENT EVENT – BOND SALE

On August 27, 2019, the District closed on the sale of the Series 2019 Unlimited Tax Park Bonds in the amount of \$1,470,000. Proceeds from these bonds were used to i) reimburse the developer for hardscaping, planting and irrigation in several sections of Falls at Imperial Oaks as well as Section 18 of Imperial Oaks Park; infrastructure to serve Imperial Oaks Recreation Center; excavation of Imperial Oaks Amenity Lake; and related engineering and interest costs and ii) pay for costs associated with issuance of the bonds.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2019

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2019

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 2,100,000	\$ 1,656,000	\$ 1,714,792	\$ 58,792
Water Service	350,000	400,000	370,316	(29,684)
Wastewater Service	550,000	625,000	602,960	(22,040)
Conservation District/Water Authority Fees	565,000	665,000	545,341	(119,659)
Penalty and Interest	20,000	20,000	15,596	(4,404)
Tap Connection and Inspection Fees	75,000	75,000	41,640	(33,360)
Sale of Capacity			629,426	629,426
Investment Revenues	4,000	5,000	36,091	31,091
Miscellaneous Revenues	5,000	5,000	11,410	6,410
TOTAL REVENUES	<u>\$ 3,669,000</u>	<u>\$ 3,451,000</u>	<u>\$ 3,967,572</u>	<u>\$ 516,572</u>
EXPENDITURES				
Services Operations:				
Professional Fees	\$ 117,000	\$ 117,000	\$ 125,075	\$ (8,075)
Contracted Services	290,000	340,000	359,064	(19,064)
Purchased Water Service	750,000	950,000	620,540	329,460
Purchased Wastewater Service	300,000	300,000	238,746	61,254
Utilities	220,000	220,000	166,019	53,981
Repairs and Maintenance	750,000	800,000	623,114	176,886
Other	126,750	148,250	138,071	10,179
Capital Outlay			466,143	(466,143)
TOTAL EXPENDITURES	<u>\$ 2,553,750</u>	<u>\$ 2,875,250</u>	<u>\$ 2,736,772</u>	<u>\$ 138,478</u>
NET CHANGE IN FUND BALANCE	\$ 1,115,250	\$ 575,750	\$ 1,230,800	\$ 655,050
FUND BALANCE - JUNE 1, 2018	<u>3,613,848</u>	<u>3,613,848</u>	<u>3,613,848</u>	
FUND BALANCE - MAY 31, 2019	<u>\$ 4,729,098</u>	<u>\$ 4,189,598</u>	<u>\$ 4,844,648</u>	<u>\$ 655,050</u>

See accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

MAY 31, 2019

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019

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

<u>X</u>	Retail Water		<u>X</u>	Drainage
<u>X</u>	Retail Wastewater		<u>X</u>	Irrigation
<u>X</u>	Parks/Recreation		<u>X</u>	Security
<u>X</u>	Solid Waste/Garbage			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 May 4, 2018.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$15.00	6,000	N	\$1.25	6,001 to 16,000
				\$1.50	16,001 to 26,000
				\$1.75	26,001 to 36,000
				\$2.00	Over 36,001
WASTEWATER:	\$29.00	6,000	N	\$1.25	Over 6,001

SURCHARGE:

Water

Conservation

District Fees

\$0.105 per 1,000 gallons, plus a 10% administration fee

San Jacinto

River

Authority Fee

\$2.83 per 1,000 gallons, plus a 10% administration fee

Other

District employs winter averaging for wastewater usage?

<u>X</u>
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$20.00 Wastewater: \$34.00 Surcharge: \$32.29 Total: \$86.29

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
SERVICES AND RATES
FOR THE YEAR ENDED MAY 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 Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2019

PROFESSIONAL FEES:	
Auditing	\$ 11,500
Engineering	63,630
Legal	<u>49,945</u>
TOTAL PROFESSIONAL FEES	<u>\$ 125,075</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 620,540
Purchased Wastewater Service	<u>238,746</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 859,286</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 13,518
Operations and Billing	<u>56,570</u>
TOTAL CONTRACTED SERVICES	<u>\$ 70,088</u>
UTILITIES	<u>\$ 166,019</u>
REPAIRS AND MAINTENANCE	<u>\$ 623,114</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 7,800
Dues	650
Insurance	8,945
Office Supplies and Postage	50,808
Payroll Taxes	711
Travel and Meetings	2,240
Other	<u>10,298</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 81,452</u>
CAPITAL OUTLAY	<u>\$ 466,143</u>
TAP CONNECTIONS	<u>\$ 27,550</u>
SOLID WASTE DISPOSAL	<u>\$ 267,847</u>
SECURITY	<u>\$ 21,129</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2019

OTHER EXPENDITURES:

Laboratory Fees	\$ 8,629
Permit Fees	2,614
Inspection Fees	13,148
Regulatory Assessment	<u>4,678</u>

TOTAL OTHER EXPENDITURES	<u>\$ 29,069</u>
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TOTAL EXPENDITURES	<u><u>\$ 2,736,772</u></u>
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See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2019

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JUNE 1, 2018	\$	10,101	\$	17,169
Adjustments to Beginning				
Balance		<u>(2,036)</u>		<u>(3,463)</u>
	\$	8,065	\$	13,706
Original 2018 Tax Levy	\$	1,726,928	\$	3,700,560
Adjustment to 2018 Tax Levy		<u>(3,021)</u>		<u>(6,474)</u>
		1,723,907		3,694,086
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,731,972		\$ 3,707,792
TAX COLLECTIONS:				
Prior Years	\$	8,053	\$	13,689
Current Year		<u>1,706,641</u>		<u>3,657,088</u>
		1,714,694		3,670,777
TAXES RECEIVABLE -				
MAY 31, 2019		<u>\$ 17,278</u>		<u>\$ 37,015</u>
TAXES RECEIVABLE BY				
YEAR:				
2018	\$	17,266	\$	36,998
2017		<u>12</u>		<u>17</u>
TOTAL		<u>\$ 17,278</u>		<u>\$ 37,015</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 56,373,690	\$ 56,220,950	\$ 52,910,410	\$ 44,009,100
Improvements	370,836,540	335,845,410	295,756,570	227,483,430
Personal Property	4,926,988	4,076,254	3,085,588	1,936,487
Exemptions	<u>(22,006,205)</u>	<u>(18,806,768)</u>	<u>(16,318,364)</u>	<u>(15,436,618)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 410,131,013</u>	<u>\$ 377,335,846</u>	<u>\$ 335,434,204</u>	<u>\$ 257,992,399</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.90	\$ 0.85	\$ 0.85	\$ 0.85
Maintenance	<u>0.42</u>	<u>0.50</u>	<u>0.50</u>	<u>0.50</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.32</u>	<u>\$ 1.35</u>	<u>\$ 1.35</u>	<u>\$ 1.35</u>
ADJUSTED TAX LEVY*	<u>\$ 5,417,993</u>	<u>\$ 5,094,147</u>	<u>\$ 4,528,364</u>	<u>\$ 3,482,959</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.00 %</u>	<u>99.99 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

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

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

Due During Fiscal Years Ending May 31	S E R I E S - 2 0 0 9		
	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 110,000	\$ 15,270	\$ 125,270
2021	120,000	9,630	129,630
2022	130,000	3,315	133,315
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 360,000</u>	<u>\$ 28,215</u>	<u>\$ 388,215</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 0			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 100,000	\$ 21,018	\$ 121,018
2021	100,000	16,968	116,968
2022	105,000	12,660	117,660
2023	115,000	7,901	122,901
2024	120,000	2,700	122,700
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 540,000</u>	<u>\$ 61,247</u>	<u>\$ 601,247</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 75,000	\$ 27,356	\$ 102,356
2021	75,000	24,731	99,731
2022	75,000	21,788	96,788
2023	75,000	18,713	93,713
2024	75,000	15,525	90,525
2025	75,000	12,225	87,225
2026	75,000	8,813	83,813
2027	75,000	5,288	80,288
2028	75,000	1,763	76,763
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 675,000</u>	<u>\$ 136,202</u>	<u>\$ 811,202</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 2			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 55,000	\$ 69,278	\$ 124,278
2021	60,000	67,765	127,765
2022	65,000	65,965	130,965
2023	70,000	63,940	133,940
2024	75,000	61,653	136,653
2025	80,000	59,015	139,015
2026	85,000	56,085	141,085
2027	90,000	52,890	142,890
2028	95,000	49,420	144,420
2029	100,000	45,715	145,715
2030	110,000	41,725	151,725
2031	115,000	37,392	152,392
2032	120,000	32,810	152,810
2033	130,000	27,935	157,935
2034	140,000	22,600	162,600
2035	145,000	16,900	161,900
2036	350,000	7,000	357,000
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 1,885,000</u>	<u>\$ 778,088</u>	<u>\$ 2,663,088</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 3			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 100,000	\$ 86,275	\$ 186,275
2021	100,000	84,150	184,150
2022	100,000	81,775	181,775
2023	100,000	79,150	179,150
2024	100,000	76,275	176,275
2025	100,000	73,275	173,275
2026	100,000	70,150	170,150
2027	100,000	66,900	166,900
2028	100,000	63,525	163,525
2029	100,000	60,025	160,025
2030	100,000	56,525	156,525
2031	100,000	52,900	152,900
2032	100,000	49,150	149,150
2033	100,000	45,338	145,338
2034	100,000	41,462	141,462
2035	120,000	37,200	157,200
2036	300,000	29,063	329,063
2037	300,000	17,437	317,437
2038	300,000	5,813	305,813
2039			
2040			
2041			
2042			
	<u>\$ 2,520,000</u>	<u>\$ 1,076,388</u>	<u>\$ 3,596,388</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 4			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 75,000	\$ 137,293	\$ 212,293
2021	80,000	134,868	214,868
2022	85,000	132,187	217,187
2023	90,000	129,345	219,345
2024	95,000	126,338	221,338
2025	100,000	123,169	223,169
2026	100,000	119,856	219,856
2027	105,000	116,332	221,332
2028	115,000	112,410	227,410
2029	120,000	108,076	228,076
2030	125,000	103,482	228,482
2031	130,000	98,538	228,538
2032	135,000	93,238	228,238
2033	145,000	87,456	232,456
2034	150,000	81,188	231,188
2035	200,000	73,750	273,750
2036	400,000	61,000	461,000
2037	600,000	39,375	639,375
2038	600,000	13,125	613,125
2039			
2040			
2041			
2042			
	<u>\$ 3,450,000</u>	<u>\$ 1,891,026</u>	<u>\$ 5,341,026</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 165,000	\$ 181,081	\$ 346,081
2021	175,000	176,806	351,806
2022	180,000	171,481	351,481
2023	185,000	166,006	351,006
2024	195,000	160,306	355,306
2025	200,000	154,382	354,382
2026	210,000	147,969	357,969
2027	220,000	140,706	360,706
2028	225,000	132,778	357,778
2029	235,000	124,294	359,294
2030	245,000	115,293	360,293
2031	255,000	105,919	360,919
2032	265,000	96,169	361,169
2033	275,000	85,700	360,700
2034	285,000	74,500	359,500
2035	300,000	62,800	362,800
2036	310,000	50,600	360,600
2037	325,000	37,900	362,900
2038	335,000	24,700	359,700
2039	450,000	9,000	459,000
2040			
2041			
2042			
	<u>\$ 5,035,000</u>	<u>\$ 2,218,390</u>	<u>\$ 7,253,390</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 5 A			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 250,000	\$ 209,362	\$ 459,362
2021	250,000	201,862	451,862
2022	250,000	195,612	445,612
2023	250,000	190,612	440,612
2024	250,000	185,300	435,300
2025	250,000	179,363	429,363
2026	250,000	172,488	422,488
2027	250,000	164,988	414,988
2028	250,000	157,488	407,488
2029	250,000	149,832	399,832
2030	260,000	141,701	401,701
2031	270,000	133,088	403,088
2032	280,000	123,800	403,800
2033	290,000	113,825	403,825
2034	300,000	103,125	403,125
2035	300,000	91,875	391,875
2036	300,000	80,625	380,625
2037	500,000	65,625	565,625
2038	500,000	46,875	546,875
2039	500,000	28,125	528,125
2040	500,000	9,375	509,375
2041			
2042			
	<u>\$ 6,500,000</u>	<u>\$ 2,744,946</u>	<u>\$ 9,244,946</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 6			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 220,000	\$ 235,250	\$ 455,250
2021	230,000	230,750	460,750
2022	240,000	226,050	466,050
2023	250,000	221,150	471,150
2024	260,000	216,050	476,050
2025	270,000	210,750	480,750
2026	280,000	205,250	485,250
2027	290,000	199,550	489,550
2028	300,000	193,650	493,650
2029	310,000	187,550	497,550
2030	320,000	180,850	500,850
2031	330,000	173,331	503,331
2032	350,000	165,038	515,038
2033	350,000	156,288	506,288
2034	360,000	147,413	507,413
2035	380,000	137,688	517,688
2036	410,000	126,825	536,825
2037	425,000	115,344	540,344
2038	500,000	102,000	602,000
2039	775,000	82,875	857,875
2040	775,000	59,625	834,625
2041	800,000	36,000	836,000
2042	800,000	12,000	812,000
	<u>\$ 9,225,000</u>	<u>\$ 3,621,277</u>	<u>\$ 12,846,277</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

SERIES - 2016A REFUNDING				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 45,000	\$ 190,763	\$	235,763
2021	50,000	189,813		239,813
2022	50,000	188,813		238,813
2023	185,000	186,463		371,463
2024	190,000	182,713		372,713
2025	330,000	175,038		505,038
2026	340,000	162,463		502,463
2027	355,000	148,563		503,563
2028	375,000	133,963		508,963
2029	470,000	117,063		587,063
2030	490,000	97,863		587,863
2031	510,000	77,863		587,863
2032	530,000	59,713		589,713
2033	550,000	43,513		593,513
2034	560,000	26,163		586,163
2035	525,000	8,531		533,531
2036				
2037				
2038				
2039				
2040				
2041				
2042				
	<u>\$ 5,555,000</u>	<u>\$ 1,989,301</u>	<u>\$</u>	<u>7,544,301</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 275,000	\$ 253,381	\$ 528,381
2021	275,000	247,881	522,881
2022	275,000	242,381	517,381
2023	275,000	236,881	511,881
2024	275,000	231,381	506,381
2025	275,000	225,881	500,881
2026	275,000	220,381	495,381
2027	275,000	214,538	489,538
2028	275,000	207,319	482,319
2029	275,000	199,069	474,069
2030	275,000	190,819	465,819
2031	275,000	182,569	457,569
2032	275,000	174,319	449,319
2033	275,000	166,069	441,069
2034	275,000	157,819	432,819
2035	275,000	149,397	424,397
2036	275,000	140,631	415,631
2037	275,000	131,522	406,522
2038	275,000	122,241	397,241
2039	735,000	104,738	839,738
2040	875,000	76,563	951,563
2041	875,000	45,938	920,938
2042	875,000	15,313	890,313
	<u>\$ 8,585,000</u>	<u>\$ 3,937,031</u>	<u>\$ 12,522,031</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 8			
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 1,000,000	\$ 60,000	\$ 1,060,000
2021	500,000	40,000	540,000
2022	500,000	30,000	530,000
2023	500,000	20,000	520,000
2024	500,000	10,000	510,000
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 3,000,000</u>	<u>\$ 160,000</u>	<u>\$ 3,160,000</u>

See accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 2,470,000	\$ 1,486,327	\$ 3,956,327
2021	2,015,000	1,425,224	3,440,224
2022	2,055,000	1,372,027	3,427,027
2023	2,095,000	1,320,161	3,415,161
2024	2,135,000	1,268,241	3,403,241
2025	1,680,000	1,213,098	2,893,098
2026	1,715,000	1,163,455	2,878,455
2027	1,760,000	1,109,755	2,869,755
2028	1,810,000	1,052,316	2,862,316
2029	1,860,000	991,624	2,851,624
2030	1,925,000	928,258	2,853,258
2031	1,985,000	861,600	2,846,600
2032	2,055,000	794,237	2,849,237
2033	2,115,000	726,124	2,841,124
2034	2,170,000	654,270	2,824,270
2035	2,245,000	578,141	2,823,141
2036	2,345,000	495,744	2,840,744
2037	2,425,000	407,203	2,832,203
2038	2,510,000	314,754	2,824,754
2039	2,460,000	224,738	2,684,738
2040	2,150,000	145,563	2,295,563
2041	1,675,000	81,938	1,756,938
2042	1,675,000	27,313	1,702,313
	<u>\$ 47,330,000</u>	<u>\$ 18,642,111</u>	<u>\$ 65,972,111</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2019

Description	Original Bonds Issued	Bonds Outstanding June 1, 2018
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2009	\$ 3,460,000	\$ 465,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2010	2,800,000	640,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2011	2,120,000	750,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2012	2,120,000	1,940,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2013	2,920,000	2,620,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2014	3,750,000	3,525,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2015	5,500,000	5,195,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2015A	7,000,000	6,750,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2016	9,635,000	9,435,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Refunding Bonds - Series 2016A	5,690,000	5,600,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2017	8,860,000	8,860,000
Montgomery County Municipal Utility District No. 115 Unlimited Tax Bonds - Series 2018	4,055,000	
TOTAL	\$ 57,910,000	\$ 45,780,000

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding May 31, 2019	Paying Agent
	Principal	Interest		
\$	\$ 105,000	\$ 20,430	\$ 360,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	100,000	24,968	540,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	75,000	29,700	675,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	55,000	70,584	1,885,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	100,000	88,275	2,520,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	75,000	139,543	3,450,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	160,000	184,331	5,035,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	250,000	216,862	6,500,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	210,000	239,550	9,225,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	45,000	191,663	5,555,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	275,000	258,881	8,585,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
4,055,000	1,055,000	45,957	3,000,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
\$ 4,055,000	\$ 2,505,000	\$ 1,510,744	\$ 47,330,000	

See accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2019

Bond Authority:	<u>Tax Bonds*</u>
Amount Authorized by Voters	\$ 130,672,000
Amount Issued	<u>52,815,000</u>
Remaining to be Issued	<u>\$ 77,857,000</u>
Debt Service Fund cash and investment balances as of May 31, 2019:	<u>\$ 4,020,114</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 2,868,353</u>

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

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

See accompanying independent auditor's report.

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

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,714,792	\$ 1,896,241	\$ 1,668,696
Water Service	370,316	350,548	330,740
Wastewater Service	602,960	561,549	521,301
Conservation District/Water Authority Fees	545,341	527,171	452,707
Penalty and Interest	15,596	16,301	15,922
Tap Connection and Inspection Fees	41,640	120,050	112,645
Sale of Capacity	629,426	694,560	
Investment Revenues	36,091	4,063	2,221
Miscellaneous Revenues	11,410	9,710	30,779
TOTAL REVENUES	<u>\$ 3,967,572</u>	<u>\$ 4,180,193</u>	<u>\$ 3,135,011</u>
EXPENDITURES			
Professional Fees	\$ 125,075	\$ 112,024	\$ 104,720
Contracted Services	359,064	315,976	286,079
Purchased Water Service	620,540	722,875	634,049
Purchased Wastewater Service	238,746	279,501	318,080
Utilities	166,019	183,585	169,588
Repairs and Maintenance	623,114	504,075	713,204
Other	138,071	164,928	162,044
Capital Outlay	466,143	467,999	56,799
TOTAL EXPENDITURES	<u>\$ 2,736,772</u>	<u>\$ 2,750,963</u>	<u>\$ 2,444,563</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 1,230,800</u>	<u>\$ 1,429,230</u>	<u>\$ 690,448</u>
OTHER FINANCING SOURCES			
Transfers In	\$	\$	\$ 259,510
Developer Advances			
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 259,510</u>
NET CHANGE IN FUND BALANCE	\$ 1,230,800	\$ 1,429,230	\$ 949,958
BEGINNING FUND BALANCE	<u>3,613,848</u>	<u>2,184,618</u>	<u>1,234,660</u>
ENDING FUND BALANCE	<u>\$ 4,844,648</u>	<u>\$ 3,613,848</u>	<u>\$ 2,184,618</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 1,294,652	\$ 1,070,160	43.3 %	45.4 %	53.2 %	50.9 %	50.3 %
287,419	240,283	9.3	8.4	10.6	11.3	11.3
446,833	313,368	15.2	13.4	16.6	17.5	14.7
357,693	235,386	13.7	12.6	14.4	14.0	11.0
15,529	10,971	0.4	0.4	0.5	0.6	0.5
126,890	251,440	1.0	2.9	3.6	5.0	11.8
		15.9	16.6			
1,030	740	0.9	0.1	0.1		
18,661	8,942	0.3	0.2	1.0	0.7	0.4
<u>\$ 2,548,707</u>	<u>\$ 2,131,290</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 146,127	\$ 115,628	3.2 %	2.7 %	3.4 %	5.7 %	5.4 %
232,887	172,238	9.0	7.6	9.1	9.1	8.1
548,354	405,355	15.6	17.3	20.2	21.5	19.0
191,565	174,394	6.0	6.7	10.1	7.5	8.2
179,283	159,419	4.2	4.4	5.4	7.0	7.5
476,884	379,750	15.7	12.1	22.7	18.7	17.8
185,034	274,971	3.5	3.9	5.2	7.3	12.9
<u>1,636,599</u>	<u>45,806</u>	<u>11.7</u>	<u>11.2</u>	<u>1.8</u>	<u>64.2</u>	<u>2.1</u>
<u>\$ 3,596,733</u>	<u>\$ 1,727,561</u>	<u>68.9 %</u>	<u>65.9 %</u>	<u>77.9 %</u>	<u>141.0 %</u>	<u>81.0 %</u>
<u>\$ (1,048,026)</u>	<u>\$ 403,729</u>	<u>31.1 %</u>	<u>34.1 %</u>	<u>22.1 %</u>	<u>(41.0) %</u>	<u>19.0 %</u>
\$	\$ 80,827					
<u>1,327,541</u>						
<u>\$ 1,327,541</u>	<u>\$ 80,827</u>					
\$ 279,515	\$ 484,556					
<u>955,145</u>	<u>470,589</u>					
<u>\$ 1,234,660</u>	<u>\$ 955,145</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 3,673,854	\$ 3,222,997	\$ 2,836,423
Penalty and Interest	10,425	12,453	9,443
Interest on Investments	56,964	26,658	4,532
Miscellaneous Revenues	<u>194</u>	<u>194</u>	<u>194</u>
TOTAL REVENUES	<u>\$ 3,741,243</u>	<u>\$ 3,262,302</u>	<u>\$ 2,850,398</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 77,935	\$ 74,292	\$ 60,673
Debt Service Principal	2,505,000	1,180,000	620,000
Debt Service Interest and Fees	1,518,494	1,456,590	1,127,612
Bond Issuance Costs	<u>224,274</u>	<u>224,274</u>	<u>224,274</u>
TOTAL EXPENDITURES	<u>\$ 4,101,429</u>	<u>\$ 2,710,882</u>	<u>\$ 2,032,559</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (360,186)</u>	<u>\$ 551,420</u>	<u>\$ 817,839</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$ - 0 -	\$ - 0 -	\$ 253,641
Refunding Bonds			5,690,000
Payment to Refunded Bond Escrow Agent			(5,655,937)
Bond Premium			<u>191,863</u>
TOTAL OTHER FINANCING SOURCES, NET	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 479,567</u>
NET CHANGE IN FUND BALANCE	\$ (360,186)	\$ 551,420	\$ 1,297,406
BEGINNING FUND BALANCE	<u>4,352,247</u>	<u>3,800,827</u>	<u>2,503,421</u>
ENDING FUND BALANCE	<u>\$ 3,992,061</u>	<u>\$ 4,352,247</u>	<u>\$ 3,800,827</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,542</u>	<u>1,501</u>	<u>1,368</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,507</u>	<u>1,468</u>	<u>1,337</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 2,195,694	\$ 1,259,820	98.2 %	98.8 %	99.5 %	99.3 %	98.9 %
13,097	12,229	0.3	0.4	0.3	0.6	1.0
2,497	1,880	1.5	0.8	0.2	0.1	0.1
<u>\$ 2,211,288</u>	<u>\$ 1,273,929</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 48,673	\$ 32,943	2.1 %	2.3 %	2.0 %	2.2 %	2.6 %
460,000	275,000	67.0	36.2	21.8	20.8	21.6
986,684	686,474	40.6	44.6	39.6	44.6	53.9
				7.9		
<u>\$ 1,495,357</u>	<u>\$ 994,417</u>	<u>109.7 %</u>	<u>83.1 %</u>	<u>71.3 %</u>	<u>67.6 %</u>	<u>78.1 %</u>
<u>\$ 715,931</u>	<u>\$ 279,512</u>	<u>(9.7) %</u>	<u>16.9 %</u>	<u>28.7 %</u>	<u>32.4 %</u>	<u>21.9 %</u>
\$ 114,056	\$ 96,016					
<u>\$ 114,056</u>	<u>\$ 96,016</u>					
\$ 829,987	\$ 375,528					
<u>1,673,434</u>	<u>1,297,906</u>					
<u>\$ 2,503,421</u>	<u>\$ 1,673,434</u>					
<u>1,237</u>	<u>1,099</u>					
<u>1,211</u>	<u>1,079</u>					

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 115
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2019</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, L.L.P.	07/06/06	\$ 59,085 \$ 87,903 \$ 1,096	General Counsel/ Bond Counsel/ Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	04/16/08	\$ 11,500 \$ 8,200	Auditor Bond Related
Myrtle Cruz, Inc.	08/03/06	\$ 14,743 \$ 3,000	Bookkeeper Bond Related
IDS Engineering Group	07/06/06	\$ 63,630 \$ 30,539	Engineer Bond Related
Masterson Advisors LLC	05/03/18	\$ 82,207	Financial Advisor
Bill Russell	09/07/06	\$ -0-	Investment Officer
Municipal Operations & Consulting	08/03/06	\$ 285,647	Operator
Equi-Tax, Inc.	08/03/06	\$ 26,146	Tax Assessor/ Collector

See accompanying independent auditor's report.