

**MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 113**

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2018

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Independent Auditors' Report

Board of Directors
Montgomery County Municipal Utility District No. 113
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. 113, as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the 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 basic 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 basic financial statements are free of material misstatement.

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

Board of Directors
Montgomery County Municipal Utility District No. 113
Montgomery County, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 113, as of May 31, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Emphasis of Matter

As discussed in Note 3 to the financial statements, beginning net position has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.


Houston, Texas
September 17, 2018

Management's Discussion and Analysis

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Montgomery County Municipal Utility District No. 113
Management's Discussion and Analysis
May 31, 2018

Using this Annual Report

Within this section of the financial report of Montgomery County Municipal Utility District No. 113 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

Montgomery County Municipal Utility District No. 113
Management's Discussion and Analysis
May 31, 2018

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at May 31, 2018, was negative \$26,942,153. This amount is negative because the District incurs debt to construct public roads which it conveys to Montgomery County. A comparative summary of the District's overall financial position, as of May 31, 2018 and 2017, is as follows:

	2018	2017
Current and other assets	\$ 16,713,835	\$ 24,367,430
Capital assets	62,227,691	52,145,810
Total assets	<u>78,941,526</u>	<u>76,513,240</u>
 Total deferred outflows of resources	 722,861	 763,021
 Current liabilities	 7,813,404	 3,993,393
Long-term liabilities	98,793,136	101,311,963
Total liabilities	<u>106,606,540</u>	<u>105,305,356</u>
 Net position		
Net investment in capital assets	(14,953,527)	(13,149,743)
Restricted	7,203,207	6,589,430
Unrestricted	(19,191,833)	(21,468,782)
Total net position	<u>\$ (26,942,153)</u>	<u>\$ (28,029,095)</u>

As further discussed in Note 3, amounts reported for 2017 capital assets and net position have been restated.

Montgomery County Municipal Utility District No. 113
Management's Discussion and Analysis
May 31, 2018

The total net position of the District increased during the current fiscal year by \$1,086,942. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2018</u>	<u>2017</u>
Revenues		
Sewer and garbage service	\$ 1,424,125	\$ 1,264,400
Property taxes, penalties and interest	7,950,448	7,162,201
Other	275,973	160,272
Total revenues	<u>9,650,546</u>	<u>8,586,873</u>
Expenses		
Current service operations	3,153,737	2,555,561
Debt interest and fees	3,240,019	2,797,861
Developer interest	88,961	480,687
Debt issuance costs	78,499	1,217,049
Depreciation	1,537,131	1,458,544
Total expenses	<u>8,098,347</u>	<u>8,509,702</u>
Change in net position before other item	1,552,199	77,171
Other item		
Transfers to other governments	<u>(465,257)</u>	<u>(1,510,081)</u>
Change in net position	1,086,942	(1,432,910)
Net position, beginning of year	<u>(28,029,095)</u>	<u>(26,596,185)</u>
Net position, end of year	<u>\$ (26,942,153)</u>	<u>\$ (28,029,095)</u>

Prior year amounts for depreciation, transfers to other governments, beginning net position, and ending net position and current year beginning net position have been restated as discussed in Note 3.

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2018, were \$15,506,683, which consists of \$2,427,598 in the General Fund, \$7,897,188 in the Debt Service Fund, and \$5,181,897 in the Capital Projects Fund.

Montgomery County Municipal Utility District No. 113
Management's Discussion and Analysis
May 31, 2018

General Fund

A comparative summary of the General Fund's financial position as of May 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 2,716,822</u>	<u>\$ 2,365,899</u>
Total liabilities	\$ 266,495	\$ 238,470
Total deferred inflows	22,729	21,425
Total fund balance	<u>2,427,598</u>	<u>2,106,004</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,716,822</u>	<u>\$ 2,365,899</u>

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2018	2017
Total revenues	\$ 3,214,660	\$ 2,647,083
Total expenditures	<u>(2,893,066)</u>	<u>(2,349,998)</u>
Revenues over expenditures	321,594	297,085
Other changes in fund balance		(769,570)
Net change in fund balance	<u>\$ 321,594</u>	<u>\$ (472,485)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and the provision of sewer and garbage service to customers within the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Sewer and garbage service revenues are dependent upon the number of connections in the District.

During the prior year, the District transferred \$769,570 from the General Fund to the Capital Projects Fund to fund various construction projects.

Montgomery County Municipal Utility District No. 113
Management's Discussion and Analysis
May 31, 2018

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of May 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 8,019,293</u>	<u>\$ 7,335,248</u>
Total liabilities	\$ 20,278	\$ 22,994
Total deferred inflows	101,827	113,753
Total fund balance	<u>7,897,188</u>	<u>7,198,501</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 8,019,293</u>	<u>\$ 7,335,248</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2018	2017
Total revenues	\$ 6,340,688	\$ 5,879,545
Total expenditures	<u>(5,642,001)</u>	<u>(4,952,684)</u>
Revenues over expenditures	<u>\$ 698,687</u>	<u>\$ 926,861</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of May 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 5,977,720</u>	<u>\$ 14,666,283</u>
Total liabilities	\$ 795,823	\$ 529,105
Total fund balance	<u>5,181,897</u>	<u>14,137,178</u>
Total liabilities and fund balance	<u>\$ 5,977,720</u>	<u>\$ 14,666,283</u>

Montgomery County Municipal Utility District No. 113
Management's Discussion and Analysis
May 31, 2018

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2018	2017
Total revenues	\$ 105,820	\$ 32,260
Total expenditures	(12,361,101)	(13,756,819)
Revenues under expenditures	(12,255,281)	(13,724,559)
Other changes in fund balance	3,300,000	20,276,111
Net change in fund balance	<u>\$ (8,955,281)</u>	<u>\$ 6,551,552</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its \$3,300,000 Series 2017 Bond Anticipation Note in the current year. During the previous fiscal year, the District financed its capital asset activity from the issuance of its \$11,930,000 Series 2017 Unlimited Tax Bonds, \$8,100,000 Series 2017 Unlimited Tax Road Improvement Bonds, and \$7,312,000 Series 2017 Bond Anticipation Note.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$711,703 greater than budgeted. The *Budgetary Comparison Schedule* on page 40 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Montgomery County Municipal Utility District No. 113
Management's Discussion and Analysis
May 31, 2018

Capital assets held by the District at May 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Capital assets not being depreciated		
Land and improvements	\$ 551,632	\$ 680,884
Construction in progress	7,832,231	1,177,822
	<u>8,383,863</u>	<u>1,858,706</u>
Capital assets being depreciated		
Sewer and drainage systems	54,565,742	50,851,423
Parks and recreational facilities	5,838,128	4,941,344
Landscaping improvements	482,752	
	<u>60,886,622</u>	<u>55,792,767</u>
Less accumulated depreciation		
Sewer and drainage systems	(5,874,552)	(4,652,381)
Parks and recreational facilities	(1,144,104)	(853,282)
Landscaping improvements	(24,138)	
	<u>(7,042,794)</u>	<u>(5,505,663)</u>
Depreciable capital assets, net	<u>53,843,828</u>	<u>50,287,104</u>
Capital assets, net	<u>\$ 62,227,691</u>	<u>\$ 52,145,810</u>

As further discussed in Note 3, amounts reported for 2017 have been restated to remove road facilities constructed by the District, but maintained by Montgomery County. Capital asset additions during the current year include the following:

- Sanitary sewer and storm sewer systems to serve Woodforest, Sections 62, 66, 71 and 99
- Sanitary sewer and storm sewer systems to serve Bonterra at Woodforest, Sections 4 and 5
- Fox Trail Road park
- Sanitary sewer and storm sewer systems to serve commercial tract 1n-1
- Drainage intersection improvements to serve Fish Creek Thoroughfare
- Kinderwood Park, Phase 2
- Fish Creek Thoroughfare median landscaping
- Generator for wastewater treatment plant and lift stations

The District's construction in progress is for the construction of the permanent wastewater treatment plant, Phase 2 and paving to serve Deerbourne Ridge Drive extension (Woodforest 64 to Woodforest 69) and Taylor Crossing.

Montgomery County assumes responsibility for public road facilities constructed within the county. Consequently, these facilities are not recorded as capital assets of the District, but are recorded as transfers to other governments upon completion of construction. For the year ended May 31, 2018, capital assets in the amount of \$465,257 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 11.

Montgomery County Municipal Utility District No. 113
Management's Discussion and Analysis
May 31, 2018

Long-Term Debt and Related Liabilities

As of May 31, 2018, the District owes \$12,672,635 to developers for completed projects and operating advances. As discussed in Note 8, the District has an additional commitment in the amount of \$8,483,230 for projects under construction by the developers. As previously mentioned, the District will owe its developers for these projects upon completion of construction, at which time the capital assets and related liability will be recorded on the District's financial statements. The District intends to reimburse the developers from proceeds of future bond issues.

At May 31, 2018 and 2017, the District had total bonded debt outstanding as shown below:

Series	2018	2017
2010	\$ 1,040,000	\$ 1,140,000
2011 Road	1,000,000	1,095,000
2012	1,570,000	1,615,000
2012 Road	3,330,000	3,430,000
2013	5,350,000	5,510,000
2013 Road	5,235,000	5,380,000
2014	15,935,000	16,375,000
2014 Road	3,750,000	3,865,000
2015	23,415,000	24,075,000
2015 Road	5,380,000	5,535,000
2016 Refunding	2,615,000	2,640,000
2016 Road Refunding	2,555,000	2,580,000
2017	11,515,000	11,930,000
2017 Road	8,100,000	8,100,000
	\$ 90,790,000	\$ 93,270,000

At May 31, 2018, the District had \$104,285,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the wastewater and storm drainage systems within the District, and refunding the same; \$16,445,000 for parks and recreational facilities, and refunding of the same; and \$16,035,000 for road improvements, and refunding of the same.

During the year, the District issued a \$3,300,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 7 for additional information.

Montgomery County Municipal Utility District No. 113
Management's Discussion and Analysis
May 31, 2018

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2018 Actual</u>	<u>2019 Budget</u>
Total revenues	\$ 3,214,660	\$ 3,072,500
Total expenditures	<u>(2,893,066)</u>	<u>(2,898,758)</u>
Revenues over expenditures	321,594	173,742
Beginning fund balance	2,106,004	2,427,598
Ending fund balance	<u><u>\$ 2,427,598</u></u>	<u><u>\$ 2,601,340</u></u>

Property Taxes

The District's property tax base increased approximately \$76,093,000 (based on certified values) for the 2018 tax year from \$877,928,936 to \$954,021,444. The District has an additional \$24,611,330 in uncertified values. This increase was primarily due to new construction in the District. For the 2018 tax year, the District will levy a maintenance tax rate of \$0.25 per \$100 of assessed value, a water, sewer, drainage, and parks debt service tax rate of \$0.44 per \$100 of assessed value, and a road debt service tax rate of \$0.20 per \$100 of assessed value, for a total combined tax rate of \$0.89 per \$100. Tax rates for the 2017 tax year were \$0.19 for maintenance and operations, \$0.47 for water, sewer, drainage, and park bonds debt service, and \$0.24 for road improvement bonds debt service.

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Basic Financial Statements

Montgomery County Municipal Utility District No. 113
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 627,424	\$ 1,180,922	\$ 526,684	\$ 2,335,030	\$ -	\$ 2,335,030
Investments	1,733,104	6,741,063	5,563,485	14,037,652		14,037,652
Taxes receivable	22,729	101,827		124,556		124,556
Customer service receivables	140,784			140,784		140,784
Internal balances	142,444	(9,245)	(133,199)			
Other receivables	14,409	4,726	20,750	39,885		39,885
Prepaid items	35,928			35,928		35,928
Capital assets not being depreciated					8,383,863	8,383,863
Capital assets, net					53,843,828	53,843,828
Total Assets	\$ 2,716,822	\$ 8,019,293	\$ 5,977,720	\$ 16,713,835	62,227,691	78,941,526
Deferred Outflows of Resources						
Deferred difference on refunding					722,861	722,861
Liabilities						
Accounts payable	\$ 263,111	\$ -	\$ 430,245	\$ 693,356		693,356
Retainage payable			365,578	365,578		365,578
Other payables	1,884	20,278		22,162		22,162
Customer meter deposits	1,500			1,500		1,500
Accrued interest payable					795,808	795,808
Bond anticipation note payable					3,300,000	3,300,000
Due to developers					12,672,635	12,672,635
Long-term debt						
Due within one year					2,635,000	2,635,000
Due after one year					86,120,501	86,120,501
Total Liabilities	266,495	20,278	795,823	1,082,596	105,523,944	106,606,540
Deferred Inflows of Resources						
Deferred property taxes	22,729	101,827		124,556	(124,556)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	35,928			35,928	(35,928)	
Restricted		7,897,188	5,181,897	13,079,085	(13,079,085)	
Unassigned	2,391,670			2,391,670	(2,391,670)	
Total Fund Balances	2,427,598	7,897,188	5,181,897	15,506,683	(15,506,683)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,716,822	\$ 8,019,293	\$ 5,977,720	\$ 16,713,835		
Net Position						
Net investment in capital assets					(14,953,527)	(14,953,527)
Restricted for debt service					7,203,207	7,203,207
Unrestricted					(19,191,833)	(19,191,833)
Total Net Position					\$ (26,942,153)	\$ (26,942,153)

See notes to basic financial statements.

Montgomery County Municipal Utility District No. 113

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

For the Year Ended May 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Sewer service	\$ 1,028,389	\$ -	\$ -	\$ 1,028,389	\$ -	\$ 1,028,389
Garbage service	395,736			395,736		395,736
Property taxes	1,665,884	6,231,925		7,897,809	(10,378)	7,887,431
Penalties and interest	16,364	46,897		63,261	(244)	63,017
Tap connection and inspection	62,980			62,980		62,980
Miscellaneous	26,886			26,886		26,886
Investment earnings	18,421	61,866	105,820	186,107		186,107
Total Revenues	3,214,660	6,340,688	105,820	9,661,168	(10,622)	9,650,546
Expenditures/Expenses						
Current service operations						
Professional fees	369,039		184,926	553,965		553,965
Contracted services	976,310	118,102		1,094,412		1,094,412
Repairs and maintenance	916,009			916,009		916,009
Utilities	197,517			197,517		197,517
Lease	228,000			228,000		228,000
Administrative	110,283	3,643		113,926		113,926
Other	42,408	7,500		49,908		49,908
Capital outlay	53,500		12,008,715	12,062,215	(12,062,215)	
Debt service						
Principal		2,480,000		2,480,000	(2,480,000)	
Interest and fees		3,032,756		3,032,756	207,263	3,240,019
Developer interest			88,961	88,961		88,961
Debt issuance costs			78,499	78,499		78,499
Depreciation					1,537,131	1,537,131
Total Expenditures/Expenses	2,893,066	5,642,001	12,361,101	20,896,168	(12,797,821)	8,098,347
Revenues Over (Under)						
Expenditures/Expenses	321,594	698,687	(12,255,281)	(11,235,000)	12,787,199	1,552,199
Other Financing Sources						
Proceeds from bond anticipation note			3,300,000	3,300,000	(3,300,000)	
Other Items						
Transfers to other governments					(465,257)	(465,257)
Net Change in Fund Balances	321,594	698,687	(8,955,281)	(7,935,000)	7,935,000	
Change in Net Position					1,086,942	1,086,942
Fund Balance/Net Position						
Beginning of the year (See Note 3)	2,106,004	7,198,501	14,137,178	23,441,683	(51,470,778)	(28,029,095)
End of the year	\$ 2,427,598	\$ 7,897,188	\$ 5,181,897	\$ 15,506,683	\$ (42,448,836)	\$ (26,942,153)

See notes to basic financial statements.

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Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Montgomery County Municipal Utility District No. 113 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to Senate Bill No. 1963 in the 80th Regular Session of the Texas Legislature, codified as Chapter 8212, Special District Local Laws Code (the “Act”) dated June 15, 2007, in accordance with Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and the Act. The Board of Directors held its first meeting on August 31, 2007, and the first bonds were sold on December 1, 2010.

The District’s primary activities include construction, maintenance and operation of wastewater, drainage, roads, parks and recreational facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The Governmental Accounting Standards Board 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 statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's sewer and drainage system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and sewer and garbage service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's sewer, drainage and road facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At May 31, 2018, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of wastewater, drainage, and parks and recreational facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Sewer and drainage system	45 years
Parks and recreational facilities	10-20 years
Landscaping improvements	20 years

The District’s detention facilities are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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. The District’s nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. 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 an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to Montgomery County, and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		\$ 15,506,683
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost		\$ 69,270,485
Less accumulated depreciation		<u>(7,042,794)</u>
Change due to capital assets		62,227,691

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

		722,861
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net		(88,755,501)
Bond anticipation note payable		(3,300,000)
Interest payable		<u>(795,808)</u>
Change due to long-term debt		(92,851,309)

Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position*.

		(12,672,635)
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Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable		108,732
Penalty and interest receivable		<u>15,824</u>
Change due to property taxes		124,556

Total net position - governmental activities		<u><u>\$ (26,942,153)</u></u>
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Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ (7,935,000)

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. (10,622)

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 12,062,215	
Depreciation expense	(1,537,131)	
		10,525,084

Montgomery County assumes responsibility for the maintenance of public roads constructed within the boundaries of the District. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (465,257)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Proceeds from issuance of bond anticipation note	(3,300,000)	
Principal payments	2,480,000	
Interest expense accrual	(207,263)	
		(1,027,263)

Change in net position of governmental activities \$ 1,086,942

Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 3 – Prior Period Adjustment

During the current year, it was determined that public road facilities constructed by the District in previous years and recorded as capital assets, should have been recorded as transfers to other governments because Montgomery County assumes responsibility for maintenance. As a result, capital assets and net position for the District as of May 31, 2017 were overstated by \$15,432,722, which is the net book value of these facilities. During the current year, a prior period adjustment was recorded to correct net position and capital assets. This adjustment decreased beginning net position as follows:

Beginning net position, as reported	\$ (12,596,373)
Change due to correction	(15,432,722)
Beginning net position, restated	<u>\$ (28,029,095)</u>

Note 4 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 4 – Deposits and Investments (continued)

Investments (continued)

As of May 31, 2018, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 584,295			
	Debt Service	1,822,893			
		<u>2,407,188</u>	17%	N/A	N/A
TexSTAR	General	1,148,809			
	Debt Service	4,918,170			
	Capital Projects	5,563,485			
		<u>11,630,464</u>	83%	AAAm	29 days
Total		<u>\$ 14,037,652</u>	100%		

The District’s investments in certificates of deposit are reported at cost.

TexSTAR

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by First Southwest, a division of Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. First Southwest provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The District’s investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in TexSTAR is measured using published fair value per share (level 1 inputs).

Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 4 – Deposits and Investments (continued)

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 5 – Interfund Balances

Amounts due to/from other funds at May 31, 2018, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 9,245	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	133,199	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 6 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2018, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 680,884	\$ (129,252)	\$ 551,632
Construction in progress	1,177,822	6,654,409	7,832,231
	<u>1,858,706</u>	<u>6,525,157</u>	<u>8,383,863</u>
Capital assets being depreciated			
Sewer and drainage systems	50,851,423	3,714,319	54,565,742
Parks and recreational facilities	4,941,344	896,784	5,838,128
Landscaping improvements		482,752	482,752
	<u>55,792,767</u>	<u>5,093,855</u>	<u>60,886,622</u>
Less accumulated depreciation			
Sewer and drainage systems	(4,652,381)	(1,222,171)	(5,874,552)
Parks and recreational facilities	(853,282)	(290,822)	(1,144,104)
Landscaping improvements		(24,138)	(24,138)
	<u>(5,505,663)</u>	<u>(1,537,131)</u>	<u>(7,042,794)</u>
Subtotal depreciable capital assets, net	<u>50,287,104</u>	<u>3,556,724</u>	<u>53,843,828</u>
Capital assets, net	<u>\$ 52,145,810</u>	<u>\$ 10,081,881</u>	<u>\$ 62,227,691</u>

Depreciation expense for the current year was \$1,537,131. Beginning capital asset values have been restated as discussed in Note 3.

In addition, the District has contractual commitments for ongoing construction projects as follows:

	Contract Amount	Amounts Paid	Remaining Commitment
Permanent Wastewater Treatment Plant	\$ 7,190,089	\$ 6,305,262	\$ 884,827
Deerbourne Ridge Drive Extension (Woodforest 64 Woodforest 69)	680,197	574,029	106,168
	<u>\$ 7,870,286</u>	<u>\$ 6,879,291</u>	<u>\$ 990,995</u>

Note 7 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short term financing for reimbursements to its developers. Despite its short term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 7 – Bond Anticipation Note (continued)

On December 21, 2017, the District issued a \$3,300,000 BAN with an interest rate of 1.65%, which is due on December 20, 2018. This BAN was repaid subsequent to year end. See Note 17 for additional information.

The effect of this transaction on the District’s short term obligations are as follows:

Beginning balance	\$ -
Amount borrowed	3,300,000
Ending balance	<u><u>\$ 3,300,000</u></u>

Note 8 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of sewer, drainage, park and recreational facilities, and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete.

The District’s developers have also advanced funds to the District for operating expenses.

Changes in amounts due to developers during the year are as follows:

Due to developers, beginning of year	\$ 12,650,581
Developer reimbursements	(4,379,603)
Developer funded construction and adjustments	4,401,657
Due to developers, end of year	<u><u>\$ 12,672,635</u></u>

Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 8 – Due to Developers (continued)

In addition, the District will owe the developers approximately \$8,483,230 which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Woodforest Parkway North (Overland Trace Drive to Elk Trace Parkway) - paving	\$ 575,829	\$ 503,839	\$ 71,990
Woodforest Parkway South extension (Woodforest 45 to Woodforest 46) - paving	503,994	474,110	29,884
Woodforest Parkway South extension (Woodforest 46 to Woodforest 53) - paving	308,780	282,971	25,809
Lift Station No. 1, Phase 1	587,750	486,235	101,515
Woodforest 2017 Trails	255,276	109,227	146,049
Kingsley Park landscaping improvements	431,314	388,193	43,121
Woodforest Section 94 - sewer and drainage	276,114	251,849	24,265
Woodforest Section 69 and 73 - sewer and drainage	929,455	787,619	141,836
Bonterra at Woodforest, Section 6 - paving	166,579	91,672	74,907
Woodforest Section 93 - sewer and drainage	121,738	92,366	29,372
Stampede Sportsplex - Phase 2 - landscaping improvements	964,856		964,856
Stampede Sportsplex - sewer, drainage and paving	382,474	288,700	93,774
Christine Allen Nature Park - sewer, drainage and paving	360,917	100,065	260,852
Central Pint Street extension (Woodforest 71 to Ditch 4P) - sewer and drainage	117,960		117,960
Bonterra Boulevard extension (Bonterra 3 to Bonterra 6 - paving	209,842	82,528	127,314
Christine Allen Nature Park, Phase 1	1,503,860	18,000	1,485,860
Deerbourne Ridge Drive Extension (WF, Section 64 to 69) - sewer and drainage	360,999	319,750	41,249
Bonterra at Woodforest, Section 6 - sewer and drainage	425,493	354,194	71,299
	<u>\$ 8,483,230</u>	<u>\$ 4,631,318</u>	<u>\$ 3,851,912</u>

Note 9 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 90,790,000
Unamortized discounts	(2,034,499)
	<u>\$ 88,755,501</u>
Due within one year	<u>\$ 2,635,000</u>

Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 9 – Long-Term Debt (continued)

The District's bonds payable at May 31, 2018, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2010	\$ 1,040,000	\$ 3,700,000	4.0% - 5.25%	September 1, 2013 - 2025	September 1, March 1	September 1, 2018
2011 Road	1,000,000	3,590,000	3.5% - 5.1%	September 1, 2013 - 2025	September 1, March 1	September 1, 2018
2012	1,570,000	1,765,000	3.0% - 5.0%	September 1, 2013 - 2036	September 1, March 1	September 1, 2019
2012 Road	3,330,000	3,700,000	2.5% - 4.2%	September 1, 2014 - 2036	September 1, March 1	September 1, 2019
2013	5,350,000	5,935,000	2.5% - 5.0%	September 1, 2014 - 2037	September 1, March 1	September 1, 2021
2013 Road	5,235,000	5,650,000	3.0% - 5.0%	September 1, 2015 - 2037	September 1, March 1	September 1, 2021
2014	15,935,000	17,200,000	2.0% - 4.0%	September 1, 2015 - 2038	September 1, March 1	September 1, 2022
2014 Road	3,750,000	4,100,000	2.0% - 4.0%	September 1, 2015 - 2038	September 1, March 1	September 1, 2022
2015	23,415,000	24,910,000	2.0% - 3.625%	September 1, 2016 - 2039	September 1, March 1	September 1, 2023
2015 Road	5,380,000	5,745,000	2.0% - 4.0%	September 1, 2016 - 2039	September 1, March 1	September 1, 2023
2016 Refunding	2,615,000	2,705,000	2.0% - 3.25%	September 1, 2016 - 2035	September 1, March 1	September 1, 2023
2016 Road Refunding	2,555,000	2,645,000	2.0% - 3.25%	September 1, 2016 - 2035	September 1, March 1	September 1, 2023
2017	11,515,000	11,930,000	2.0% - 3.75%	September 1, 2017 - 2041	September 1, March 1	September 1, 2024
2017 Road	8,100,000	8,100,000	3.0% - 3.5%	September 1, 2018 - 2042	September 1, March 1	September 1, 2024
	<u>\$ 90,790,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 9 – Long-Term Debt (continued)

At May 31, 2018, the District had authorized but unissued bonds in the amount of \$104,285,000 for wastewater and storm drainage facilities and refunding of same; \$16,445,000 for park and recreational facilities and refunding of same; and \$16,035,000 for road improvements and refunding of same.

In the 2016 fiscal year, the District issued refunding bonds to advance refund portions of the District's Series 2010 and Series 2011 bonds. Since the refunded bonds were not yet subject to redemption, the District defeased them by placing proceeds of the bonds into an account with an escrow agent and irrevocably pledging the escrow account to the payment of future debt service payments. Accordingly, the defeased bonds are not included in the District's financial statements. The outstanding principal of the defeased bonds is \$4,375,000 at May 31, 2018.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 93,270,000
Bonds retired	(2,480,000)
Bonds payable, end of year	<u>\$ 90,790,000</u>

Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 9 – Long-Term Debt (continued)

As of May 31, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	\$ 2,635,000	\$ 3,020,153	\$ 5,655,153
2020	2,755,000	2,953,289	5,708,289
2021	2,875,000	2,883,492	5,758,492
2022	3,000,000	2,805,048	5,805,048
2023	3,135,000	2,717,675	5,852,675
2024	3,280,000	2,624,919	5,904,919
2025	3,435,000	2,524,864	5,959,864
2026	3,590,000	2,416,466	6,006,466
2027	3,740,000	2,303,545	6,043,545
2028	3,910,000	2,183,361	6,093,361
2029	4,085,000	2,052,578	6,137,578
2030	4,255,000	1,913,983	6,168,983
2031	4,435,000	1,767,678	6,202,678
2032	4,640,000	1,611,195	6,251,195
2033	4,840,000	1,442,844	6,282,844
2034	5,025,000	1,264,742	6,289,742
2035	5,260,000	1,076,105	6,336,105
2036	5,485,000	875,628	6,360,628
2037	5,165,000	672,689	5,837,689
2038	4,970,000	475,944	5,445,944
2039	4,335,000	298,032	4,633,032
2040	3,040,000	161,057	3,201,057
2041	1,175,000	83,694	1,258,694
2042	1,225,000	39,869	1,264,869
2043	500,000	8,750	508,750
	<u>\$ 90,790,000</u>	<u>\$ 40,177,600</u>	<u>\$ 130,967,600</u>

Note 10 – Property Taxes

On May 10, 2008, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.25 per \$100 of assessed value, and used in financing the maintenance of road facilities, limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Montgomery County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Montgomery County Municipal Utility District No. 113
Notes to Basic Financial Statements
May 31, 2018

Note 10 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of \$0.90 per \$100 of assessed value, of which \$0.19 was allocated to maintenance and operations, \$0.47 was allocated to water, sewer and drainage debt service, and \$0.24 was allocated to road debt service. The resulting tax levy was \$7,901,360 on the adjusted taxable value of \$877,928,936.

Total property taxes receivable, at May 31, 2018, consisted of the following:

Current year taxes receivable	\$ 99,514
Prior years taxes receivable	9,218
	<hr style="width: 100%;"/>
	108,732
Penalty and interest receivable	15,824
Property taxes receivable	<hr style="width: 100%;"/>
	<u>\$ 124,556</u>

Note 11 – Transfers to Other Governments

Montgomery County assumes responsibility for the maintenance of public roads constructed within the boundaries of the District. Accordingly, these facilities are considered to be capital assets of Montgomery County, not the District. For the year ended May 31, 2018, the District recorded transfers to other governments in the amount of \$465,257 for road facilities constructed by developers within the District.

Note 12 – Lease Agreement

On February 7, 2017, the District entered into a twelve month operating lease agreement for a temporary wastewater treatment plant. The District has the option to extend the lease on a month to month basis following expiration of the twelve month term. Total costs for the lease for the fiscal year ended May 31, 2018, was \$228,000. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. This agreement was terminated as of July 25, 2018.

Standard lease terms require the District to prepay the last month’s lease payment upon inception of the lease. All such amounts are recorded as a prepaid expense on the *Statement of Net Position*. As of May 31, 2018 the District has completed the initial term of the agreement.

Note 13 – Strategic Partnership Agreement

Effective September 23, 2008, the District and the City of Conroe (the “City”) entered into a Strategic Partnership Agreement under which the City may annex the District for limited purposes. The District continues (1) to exercise all powers and functions of a municipal utility district and (2) to provide certain services described in the agreement, and the City agrees to remit one half of all retail sales tax collected from retailers located within the District’s boundaries. The City has not yet annexed the District for limited purposes. Accordingly, the City has not yet imposed a sales tax in the District and therefore, no rebate was due or paid.

Note 14 – Strategic Partnership Agreement (continued)

The City agrees that it will not annex all or part of the District during the initial ten year term of this agreement. The District will be converted to full purpose annexation upon the earlier of the following dates: (1) the date on which all debt of the District that is payable from ad valorem taxes is fully paid and the District has fully reimbursed the developer within the District in accordance with any written reimbursement agreement or (2) December 31, 2037. On the full purpose annexation date, the land included within the boundaries of the District shall be deemed to be within the full purpose boundary limits of the City without the need for any further action. Upon such date, all taxable property within the territory of the District shall become subject to ad valorem taxation by the City.

If debt of the District remains outstanding on the full purpose annexation conversion date or if the District has not fully reimbursed any developer within the District in accordance with any written reimbursement agreement, then the District shall become a “limited district”. The “limited district” shall be known as Montgomery Utility District No. 113 and shall continue for a term through the earlier of ten additional years or all outstanding debt has been fully paid. The powers of the “limited district” are restricted to the levy and collection of ad valorem taxes sufficient to meet the outstanding debt service requirements.

The City may extend the existence of the “limited district” for successive ten year terms for so long as any debt of the “limited district” remains. The “limited district” ceases to exist 60 days after all debt is paid and title to all assets and improvements vests in the City.

Note 15 – Water Supply Agreement

MSEC Enterprises (“MSEC”) supplies water to District residents pursuant to an agreement with the District’s developer. MSEC owns, constructs, operates and maintains the water supply and water distribution systems that serve residents within the District. The District’s developer has committed to pay all capital connection fees, which may be reimbursed by the District.

Note 16 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 17 – Subsequent Events

Issuance of Bond Anticipation Note

On July 2, 2018, the District issued its \$5,960,000 Series 2018 BAN with an interest rate of 2.00%, which is due on July 1, 2019. Proceeds of the BAN were used to reimburse the District’s developers for infrastructure improvements in the District.

Note 17 – Subsequent Events (continued)

Issuance of Long-Term Debt

On August 20, 2018, the District approved a preliminary official statement and notice of sale for its Series 2018 Unlimited Tax Park Bonds in the amount of \$5,700,000. The Board accepted bids and awarded the sale of the bonds on September 17, 2018. Proceeds of the bonds will primarily be used to reimburse developers for amounts currently reported in “Due to developers” and to repay a \$3,300,000 BAN issued during the fiscal year.

Agreement for the Joint Construction and Operation of Regional Facilities

On August 20, 2018, The District entered into a fifty-year agreement with Montgomery County Municipal Utility District No. 121 (“MUD 121”). The purpose of the agreement is to establish a wastewater collection and treatment system, a drainage system and parks. Each of these projects are referred to as an Element and is planned to be designed, constructed and funded in Segments. MUD 121 will reimburse the District for its proportionate share of the constructions costs, plus interest, of certain completed and funded Elements of the project that were originally paid by the District. Each District agrees to fund its portion of future project costs on or before the due date by depositing its proportionate share in a separate account dedicated to payment of construction costs. The District is responsible for the design and construction of all Elements.

The District will hold legal title to the facilities for the benefit of both districts. However, each District will have an equitable interest in their share of purchased capacity. The District will also establish and operate a separate fund to account for the operation, maintenance and construction costs of the wastewater plant. Unless otherwise agreed, each district is required to advance funds to establish an operating reserve of at least three months of budgeted operating and maintenance costs, which is held in the regional water facilities account.

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Required Supplementary Information

Montgomery County Municipal Utility District No. 113
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Sewer service	\$ 1,250,000	\$ 1,250,000	\$ 1,028,389	\$ (221,611)
Garbage service			395,736	395,736
Property taxes	1,251,000	1,625,000	1,665,884	40,884
Penalties and interest			16,364	16,364
Tap connection and inspection	50,000	50,000	62,980	12,980
Miscellaneous			26,886	26,886
Investment earnings	7,500	7,500	18,421	10,921
Total Revenues	2,558,500	2,932,500	3,214,660	282,160
Expenditures				
Current service operations				
Professional fees	334,500	334,500	369,039	(34,539)
Contracted services	970,000	1,045,000	976,310	68,690
Repairs and maintenance	1,041,200	1,294,400	916,009	378,391
Utilities	75,000	150,000	197,517	(47,517)
Leases	195,000	195,000	228,000	(33,000)
Administrative	75,265	101,120	110,283	(9,163)
Other	27,000	27,000	42,408	(15,408)
Capital outlay		175,589	53,500	122,089
Total Expenditures	2,717,965	3,322,609	2,893,066	429,543
Revenues Over/(Under) Expenditures	(159,465)	(390,109)	321,594	711,703
Fund Balance				
Beginning of the year	2,106,004	2,106,004	2,106,004	
End of the year	\$ 1,946,539	\$ 1,715,895	\$ 2,427,598	\$ 711,703

Montgomery County Municipal Utility District No. 113
Notes to Required Supplementary Information
May 31, 2018

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Montgomery County Municipal Utility District No. 113
TSI-1. Services and Rates
May 31, 2018

1. Services provided by the District During the Fiscal Year:

- | | | | |
|---|---|---|--|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Solid Waste/Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input checked="" type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks / Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Roads | <input checked="" type="checkbox"/> Security |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input type="checkbox"/> Other (Specify): _____ | | | |

2. Retail Service Providers

(You may omit this information if your district does not provide retail services)

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Wastewater:	\$ 47.55	-0-	Y	N/A	-0- to unlimited

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater \$ 47.55

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	<u>2,811</u>	<u>2,811</u>	x 1.0	<u>2,811</u>

See accompanying auditor's report.

*Montgomery County Municipal Utility District No. 113
 TSI-2 General Fund Expenditures
 For the Year Ended May 31, 2018*

Professional fees	
Legal	\$ 179,246
Audit	14,500
Engineering	175,293
	<u>369,039</u>
Contracted services	
Bookkeeping	18,488
Operator	176,279
Garbage collection	484,180
Tap connection and inspection	40,254
Security	257,109
	<u>976,310</u>
Repairs and maintenance	<u>916,009</u>
Utilities	<u>197,517</u>
Lease	<u>228,000</u>
Administrative	
Directors fees	12,000
Printing and office supplies	67,100
Insurance	18,982
Other	12,201
	<u>110,283</u>
Other	<u>42,408</u>
Capital outlay	<u>53,500</u>
Total expenditures	<u>\$ 2,893,066</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-3. Investments
May 31, 2018

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General					
TexSTAR	1702522220	Variable	N/A	\$ 1,148,809	\$ -
Certificate of deposit	66000417	1.86%	10/17/18	244,295	534
Certificate of deposit	498030	2.00%	05/27/19	240,000	53
Certificate of deposit	6750676624	1.27%	07/13/18	100,000	1,120
				<u>1,733,104</u>	<u>1,707</u>
Debt Service					
TexSTAR	1702510230	Variable	N/A	3,573,427	
TexSTAR	1702510231	Variable	N/A	1,344,743	
Certificate of deposit	83224402	2.30%	05/25/19	240,000	91
Certificate of deposit	1852002097	2.10%	05/27/19	102,893	24
Certificate of deposit	107362781	1.70%	09/14/18	240,000	850
Certificate of deposit	6757526733	1.61%	09/13/18	1,000,000	3,396
Certificate of deposit	9009003842	1.85%	11/19/18	240,000	122
				<u>6,741,063</u>	<u>4,483</u>
Capital Projects					
TexSTAR	1702510300	Variable	N/A	1,423,190	
TexSTAR	1702510301	Variable	N/A	4,140,295	
				<u>5,563,485</u>	
Total - All Funds				<u>\$ 14,037,652</u>	<u>\$ 6,190</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-4. Taxes Levied and Receivable
May 31, 2018

	Maintenance Taxes	W-S-D Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 21,425	\$ 71,077	\$ 26,608	\$ 119,110
Adjustments	(790)	(2,631)	(981)	(4,402)
Adjusted Receivable	20,635	68,446	25,627	114,708
2017 Original Tax Levy	1,655,729	4,095,751	2,091,447	7,842,927
Adjustments	12,336	30,515	15,582	58,433
Adjusted Tax Levy	1,668,065	4,126,266	2,107,029	7,901,360
Total to be accounted for	1,688,700	4,194,712	2,132,656	8,016,068
Tax collections:				
Current year	1,647,056	4,074,298	2,080,492	7,801,846
Prior years	18,915	63,071	23,504	105,490
Total Collections	1,665,971	4,137,369	2,103,996	7,907,336
Taxes Receivable, End of Year	\$ 22,729	\$ 57,343	\$ 28,660	\$ 108,732
Taxes Receivable, By Years				
2017	\$ 21,009	\$ 51,968	\$ 26,537	\$ 99,514
2016	1,003	3,342	1,246	5,591
2015	411	1,375	611	2,397
2014	306	658	266	1,230
Taxes Receivable, End of Year	\$ 22,729	\$ 57,343	\$ 28,660	\$ 108,732
	2017	2016	2015	2014
Property Valuations				
Land	\$ 182,776,290	\$ 163,575,670	\$ 132,300,340	\$ 94,663,070
Improvements	735,974,830	644,736,800	488,336,680	271,200,710
Personal Property	13,090,766	11,215,770	4,803,782	3,613,791
Exemptions	(53,912,950)	(47,234,626)	(40,375,320)	(9,346,631)
Total Property Valuations	\$ 877,928,936	\$ 772,293,614	\$ 585,065,482	\$ 360,130,940
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.190	\$ 0.165	\$ 0.175	\$ 0.280
Debt service tax rates				
Road	0.240	0.205	0.260	0.240
Water, sewer and drainage	0.470	0.550	0.585	0.600
	\$ 0.900	\$ 0.920	\$ 1.020	\$ 1.120
Adjusted Tax Levy:	\$ 7,901,360	\$ 7,105,101	\$ 5,967,668	\$ 4,033,467
Percentage of Taxes Collected to Taxes Levied **	98.74%	99.92%	99.96%	99.97%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.25 on May 10, 2008

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 10, 2008

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2010--by Years
May 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 105,000	\$ 48,719	\$ 153,719
2020	110,000	44,012	154,012
2021	120,000	38,687	158,687
2022	125,000	32,712	157,712
2023	130,000	26,338	156,338
2024	140,000	19,588	159,588
2025	150,000	12,244	162,244
2026	160,000	4,200	164,200
	<u>\$ 1,040,000</u>	<u>\$ 226,500</u>	<u>\$ 1,266,500</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2011 Road--by Years
May 31, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2019	\$ 100,000	\$ 43,570	\$ 143,570
2020	105,000	39,595	144,595
2021	115,000	35,080	150,080
2022	120,000	30,025	150,025
2023	125,000	24,510	149,510
2024	135,000	18,395	153,395
2025	145,000	11,530	156,530
2026	155,000	3,953	158,953
	<u>\$ 1,000,000</u>	<u>\$ 206,658</u>	<u>\$ 1,206,658</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2012--by Years
May 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 45,000	\$ 64,521	\$ 109,521
2020	50,000	63,034	113,034
2021	50,000	61,346	111,346
2022	55,000	59,481	114,481
2023	60,000	57,381	117,381
2024	60,000	55,131	115,131
2025	65,000	52,724	117,724
2026	70,000	50,056	120,056
2027	75,000	47,119	122,119
2028	80,000	43,931	123,931
2029	85,000	40,528	125,528
2030	90,000	36,863	126,863
2031	95,000	32,872	127,872
2032	100,000	28,606	128,606
2033	105,000	24,122	129,122
2034	110,000	19,350	129,350
2035	120,000	14,175	134,175
2036	125,000	8,663	133,663
2037	130,000	2,926	132,926
	<u>\$ 1,570,000</u>	<u>\$ 762,829</u>	<u>\$ 2,332,829</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2012 Road--by Years
May 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 105,000	\$ 129,155	\$ 234,155
2020	110,000	126,169	236,169
2021	115,000	122,777	237,777
2022	120,000	119,000	239,000
2023	130,000	114,745	244,745
2024	135,000	109,973	244,973
2025	145,000	104,720	249,720
2026	150,000	98,965	248,965
2027	160,000	92,765	252,765
2028	170,000	86,079	256,079
2029	175,000	79,008	254,008
2030	185,000	71,628	256,628
2031	195,000	63,838	258,838
2032	210,000	55,535	265,535
2033	220,000	46,720	266,720
2034	230,000	37,380	267,380
2035	245,000	27,404	272,404
2036	260,000	16,800	276,800
2037	270,000	5,669	275,669
	<u>\$ 3,330,000</u>	<u>\$ 1,508,330</u>	<u>\$ 4,838,330</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2013--by Years
May 31, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2019	\$ 165,000	\$ 238,070	\$ 403,070
2020	175,000	233,135	408,135
2021	180,000	227,585	407,585
2022	190,000	221,335	411,335
2023	200,000	214,260	414,260
2024	210,000	206,310	416,310
2025	220,000	197,710	417,710
2026	230,000	188,365	418,365
2027	240,000	178,200	418,200
2028	250,000	167,355	417,355
2029	265,000	155,635	420,635
2030	275,000	143,077	418,077
2031	290,000	129,655	419,655
2032	305,000	115,223	420,223
2033	320,000	99,750	419,750
2034	335,000	83,375	418,375
2035	350,000	66,250	416,250
2036	365,000	48,375	413,375
2037	385,000	29,625	414,625
2038	400,000	10,000	410,000
	<u>\$ 5,350,000</u>	<u>\$ 2,953,290</u>	<u>\$ 8,303,290</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2013 Road--by Years
May 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 155,000	\$ 230,800	\$ 385,800
2020	165,000	226,000	391,000
2021	170,000	220,975	390,975
2022	180,000	214,825	394,825
2023	190,000	207,425	397,425
2024	200,000	199,625	399,625
2025	210,000	191,425	401,425
2026	220,000	182,825	402,825
2027	230,000	173,825	403,825
2028	245,000	164,019	409,019
2029	255,000	153,394	408,394
2030	270,000	141,900	411,900
2031	285,000	129,412	414,412
2032	300,000	115,500	415,500
2033	315,000	100,125	415,125
2034	330,000	84,000	414,000
2035	350,000	67,000	417,000
2036	370,000	49,000	419,000
2037	385,000	30,125	415,125
2038	410,000	10,250	420,250
	<u>\$ 5,235,000</u>	<u>\$ 2,892,450</u>	<u>\$ 8,127,450</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
May 31, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2019	\$ 460,000	\$ 523,156	\$ 983,156
2020	480,000	513,756	993,756
2021	505,000	503,906	1,008,906
2022	525,000	490,982	1,015,982
2023	550,000	474,856	1,024,856
2024	580,000	457,906	1,037,906
2025	605,000	440,131	1,045,131
2026	635,000	421,532	1,056,532
2027	665,000	402,031	1,067,031
2028	695,000	381,632	1,076,632
2029	730,000	359,344	1,089,344
2030	765,000	335,050	1,100,050
2031	800,000	309,119	1,109,119
2032	840,000	280,919	1,120,919
2033	880,000	250,819	1,130,819
2034	920,000	219,319	1,139,319
2035	965,000	185,728	1,150,728
2036	1,010,000	149,300	1,159,300
2037	1,055,000	110,581	1,165,581
2038	1,110,000	68,600	1,178,600
2039	1,160,000	23,200	1,183,200
	<u>\$ 15,935,000</u>	<u>\$ 6,901,867</u>	<u>\$ 22,836,867</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2014 Road--by Years
May 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 120,000	\$ 121,787	\$ 241,787
2020	120,000	119,388	239,388
2021	125,000	116,937	241,937
2022	130,000	113,738	243,738
2023	135,000	109,762	244,762
2024	145,000	105,563	250,563
2025	150,000	101,137	251,137
2026	155,000	96,563	251,563
2027	160,000	91,837	251,837
2028	165,000	86,963	251,963
2029	175,000	81,862	256,862
2030	180,000	76,313	256,313
2031	190,000	70,300	260,300
2032	195,000	63,800	258,800
2033	205,000	56,800	261,800
2034	210,000	49,406	259,406
2035	220,000	41,612	261,612
2036	230,000	33,313	263,313
2037	240,000	24,500	264,500
2038	245,000	15,100	260,100
2039	255,000	5,100	260,100
	<u>\$ 3,750,000</u>	<u>\$ 1,581,781</u>	<u>\$ 5,331,781</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
May 31, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2019	\$ 685,000	\$ 680,962	\$ 1,365,962
2020	710,000	667,013	1,377,013
2021	740,000	652,512	1,392,512
2022	770,000	637,413	1,407,413
2023	800,000	621,712	1,421,712
2024	830,000	605,413	1,435,413
2025	865,000	587,381	1,452,381
2026	900,000	567,525	1,467,525
2027	935,000	545,713	1,480,713
2028	975,000	519,400	1,494,400
2029	1,010,000	489,625	1,499,625
2030	1,050,000	458,725	1,508,725
2031	1,095,000	426,550	1,521,550
2032	1,140,000	392,312	1,532,312
2033	1,185,000	355,244	1,540,244
2034	1,230,000	316,000	1,546,000
2035	1,280,000	274,412	1,554,412
2036	1,330,000	230,369	1,560,369
2037	1,385,000	183,687	1,568,687
2038	1,440,000	134,250	1,574,250
2039	1,500,000	82,800	1,582,800
2040	1,560,000	28,275	1,588,275
	<u>\$ 23,415,000</u>	<u>\$ 9,457,293</u>	<u>\$ 32,872,293</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2015 Road--by Years
May 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 160,000	\$ 168,194	\$ 328,194
2020	170,000	164,894	334,894
2021	175,000	161,444	336,444
2022	180,000	157,894	337,894
2023	190,000	154,194	344,194
2024	195,000	150,222	345,222
2025	200,000	145,900	345,900
2026	210,000	140,500	350,500
2027	215,000	134,125	349,125
2028	225,000	127,525	352,525
2029	235,000	120,625	355,625
2030	245,000	113,119	358,119
2031	250,000	105,075	355,075
2032	260,000	96,625	356,625
2033	270,000	87,512	357,512
2034	280,000	77,887	357,887
2035	290,000	67,731	357,731
2036	300,000	57,038	357,038
2037	315,000	45,694	360,694
2038	325,000	33,694	358,694
2039	340,000	20,800	360,800
2040	350,000	7,000	357,000
	<u>\$ 5,380,000</u>	<u>\$ 2,337,692</u>	<u>\$ 7,717,692</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2016 Refunding--by Years
May 31, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2019	\$ 30,000	\$ 79,000	\$ 109,000
2020	30,000	78,100	108,100
2021	30,000	77,200	107,200
2022	30,000	76,300	106,300
2023	30,000	75,400	105,400
2024	35,000	74,425	109,425
2025	35,000	73,375	108,375
2026	35,000	72,325	107,325
2027	200,000	68,800	268,800
2028	215,000	62,575	277,575
2029	220,000	56,050	276,050
2030	225,000	49,375	274,375
2031	230,000	42,550	272,550
2032	240,000	35,500	275,500
2033	250,000	28,150	278,150
2034	250,000	20,650	270,650
2035	260,000	12,837	272,837
2036	270,000	4,388	274,388
	<u>\$ 2,615,000</u>	<u>\$ 987,000</u>	<u>\$ 3,602,000</u>

See accompanying auditors' report.

*Montgomery County Municipal Utility District No. 113
 TSI-5. Long-Term Debt Service Requirements
 Series 2016 Road Refunding--by Years
 May 31, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2019	\$ 25,000	\$ 77,263	\$ 102,263
2020	30,000	76,438	106,438
2021	30,000	75,538	105,538
2022	30,000	74,638	104,638
2023	30,000	73,738	103,738
2024	30,000	72,837	102,837
2025	35,000	71,862	106,862
2026	35,000	70,812	105,812
2027	195,000	67,362	262,362
2028	200,000	61,437	261,437
2029	215,000	55,213	270,213
2030	220,000	48,688	268,688
2031	225,000	42,013	267,013
2032	235,000	35,112	270,112
2033	245,000	27,912	272,912
2034	250,000	20,488	270,488
2035	260,000	12,675	272,675
2036	265,000	4,306	269,306
	<u>\$ 2,555,000</u>	<u>\$ 968,332</u>	<u>\$ 3,523,332</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
May 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 285,000	\$ 356,169	\$ 641,169
2020	300,000	348,893	648,893
2021	310,000	342,793	652,793
2022	325,000	336,443	661,443
2023	335,000	329,843	664,843
2024	350,000	322,993	672,993
2025	365,000	315,388	680,388
2026	380,000	307,007	687,007
2027	400,000	297,731	697,731
2028	415,000	286,507	701,507
2029	430,000	273,831	703,831
2030	450,000	260,632	710,632
2031	470,000	246,831	716,831
2032	490,000	232,125	722,125
2033	510,000	215,862	725,862
2034	530,000	197,981	727,981
2035	555,000	178,994	733,994
2036	580,000	159,132	739,132
2037	605,000	138,016	743,016
2038	630,000	116,025	746,025
2039	655,000	92,719	747,719
2040	685,000	67,594	752,594
2041	715,000	41,344	756,344
2042	745,000	13,969	758,969
	<u>\$ 11,515,000</u>	<u>\$ 5,478,822</u>	<u>\$ 16,993,822</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2017 Road--by Years
May 31, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2019	\$ 195,000	\$ 258,787	\$ 453,787
2020	200,000	252,862	452,862
2021	210,000	246,712	456,712
2022	220,000	240,262	460,262
2023	230,000	233,511	463,511
2024	235,000	226,538	461,538
2025	245,000	219,337	464,337
2026	255,000	211,838	466,838
2027	265,000	204,037	469,037
2028	275,000	195,938	470,938
2029	290,000	187,463	477,463
2030	300,000	178,613	478,613
2031	310,000	169,463	479,463
2032	325,000	159,938	484,938
2033	335,000	149,828	484,828
2034	350,000	138,906	488,906
2035	365,000	127,287	492,287
2036	380,000	114,944	494,944
2037	395,000	101,866	496,866
2038	410,000	88,025	498,025
2039	425,000	73,413	498,413
2040	445,000	58,188	503,188
2041	460,000	42,350	502,350
2042	480,000	25,900	505,900
2043	500,000	8,750	508,750
	<u>\$ 8,100,000</u>	<u>\$ 3,914,756</u>	<u>\$ 12,014,756</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
May 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 2,635,000	\$ 3,020,153	\$ 5,655,153
2020	2,755,000	2,953,289	5,708,289
2021	2,875,000	2,883,492	5,758,492
2022	3,000,000	2,805,048	5,805,048
2023	3,135,000	2,717,675	5,852,675
2024	3,280,000	2,624,919	5,904,919
2025	3,435,000	2,524,864	5,959,864
2026	3,590,000	2,416,466	6,006,466
2027	3,740,000	2,303,545	6,043,545
2028	3,910,000	2,183,361	6,093,361
2029	4,085,000	2,052,578	6,137,578
2030	4,255,000	1,913,983	6,168,983
2031	4,435,000	1,767,678	6,202,678
2032	4,640,000	1,611,195	6,251,195
2033	4,840,000	1,442,844	6,282,844
2034	5,025,000	1,264,742	6,289,742
2035	5,260,000	1,076,105	6,336,105
2036	5,485,000	875,628	6,360,628
2037	5,165,000	672,689	5,837,689
2038	4,970,000	475,944	5,445,944
2039	4,335,000	298,032	4,633,032
2040	3,040,000	161,057	3,201,057
2041	1,175,000	83,694	1,258,694
2042	1,225,000	39,869	1,264,869
2043	500,000	8,750	508,750
	<u>\$ 90,790,000</u>	<u>\$ 40,177,600</u>	<u>\$ 130,967,600</u>

See accompanying auditors' report.

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Montgomery County Municipal Utility District No. 113
TSI-6. Change in Long-Term Bonded Debt
May 31, 2018

	Bond Issue			
	Series 2010	Series 2011 Road	Series 2012	Series 2012 Road
Interest rate	4.0% - 5.25%	3.50% - 5.10%	3.0% - 5.0%	2.50% - 4.20%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/13 - 9/1/25	9/1/13 - 9/1/25	9/1/13 - 9/1/36	9/1/14 - 9/1/36
Beginning bonds outstanding	\$ 1,140,000	\$ 1,095,000	\$ 1,615,000	\$ 3,430,000
Bonds retired	(100,000)	(95,000)	(45,000)	(100,000)
Ending bonds outstanding	<u>\$ 1,040,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,570,000</u>	<u>\$ 3,330,000</u>
Interest paid during fiscal year	<u>\$ 52,950</u>	<u>\$ 47,108</u>	<u>\$ 65,871</u>	<u>\$ 131,796</u>
Paying agent's name and city	Wells Fargo Bank, N.A., Houston, TX			
Series 2010 and 2011 Road	_____			
Series 2012, 2012 Road, 2013, 2013 Road, 2014, 2014 Road, 2015, 2015 Road, 2016 Refunding, 2016 Road Refunding, 2017 and 2017 Road	Regions Bank, Houston, TX			
	Water, Sewer and Drainage and Refunding Bonds	Road and Road Refunding Bonds	Park Bonds	
Bond Authority:	<u>\$ 170,220,000</u>	<u>\$ 47,400,000</u>	<u>\$ 16,445,000</u>	
Amount Authorized by Voters	(65,935,000)	(31,365,000)		
Amount Issued	<u>\$ 104,285,000</u>	<u>\$ 16,035,000</u>	<u>\$ 16,445,000</u>	
Remaining To Be Issued				

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balances as of May 31, 2018: \$ 7,921,985

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 5,238,704

See accompanying auditors' report.

	Bond Issue				
	Series 2013	Series 2013 Road	Series 2014	Series 2014 Road	Series 2015
Interest rate	2.50% - 5.00%	3.0% - 5.0%	2.0% - 4.0%	2.0% - 4.0%	2.0% - 3.625%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/14 - 9/1/37	9/1/15 - 9/1/37	9/1/15 - 9/1/38	9/1/15 - 9/1/38	9/1/16 - 9/1/39
Beginning bonds outstanding	\$ 5,510,000	\$ 5,380,000	\$ 16,375,000	\$ 3,865,000	\$ 24,075,000
Bonds retired	(160,000)	(145,000)	(440,000)	(115,000)	(660,000)
Ending bonds outstanding	<u>\$ 5,350,000</u>	<u>\$ 5,235,000</u>	<u>\$ 15,935,000</u>	<u>\$ 3,750,000</u>	<u>\$ 23,415,000</u>
Interest paid during fiscal year	<u>\$ 242,380</u>	<u>\$ 235,300</u>	<u>\$ 532,156</u>	<u>\$ 124,137</u>	<u>\$ 694,413</u>

See accompanying auditors' report.

Bond Issue					
Series 2015 Road	Series 2016 Refunding	Road Refunding	Series 2017	Series 2017 Road	Totals
2.0% - 4.0%	2.0% - 3.25%	2.0% - 3.25%	2.0% - 3.75%	3.0% - 3.5%	
9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	
9/1/16 - 9/1/39	9/1/16 - 9/1/35	9/1/16 - 9/1/35	9/1/17 - 9/1/41	9/1/18 - 9/1/42	
\$ 5,535,000	\$ 2,640,000	\$ 2,580,000	\$ 11,930,000	\$ 8,100,000	\$ 93,270,000
(155,000)	(25,000)	(25,000)	(415,000)		(2,480,000)
<u>\$ 5,380,000</u>	<u>\$ 2,615,000</u>	<u>\$ 2,555,000</u>	<u>\$ 11,515,000</u>	<u>\$ 8,100,000</u>	<u>\$ 90,790,000</u>
<u>\$ 171,344</u>	<u>\$ 79,825</u>	<u>\$ 78,013</u>	<u>\$ 366,669</u>	<u>\$ 218,094</u>	<u>\$ 3,040,056</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Sewer service	\$ 1,028,389	\$ 1,264,400	\$ 1,027,838	\$ 732,305	\$ 483,472
Garbage service	395,736				
Property taxes	1,665,884	1,269,464	1,024,040	997,306	541,894
Penalties and interest	16,364	6,581			
Tap connection and inspection	62,980	78,110	84,015	207,443	85,875
Miscellaneous	26,886	16,286	15,875	11,432	9,200
Investment earnings	18,421	12,242	4,496	2,959	913
Total Revenues	<u>3,214,660</u>	<u>2,647,083</u>	<u>2,156,264</u>	<u>1,951,445</u>	<u>1,121,354</u>
Expenditures					
Current service operations					
Professional fees	369,039	384,264	211,681	142,208	134,599
Contracted services	976,310	769,135	592,307	383,854	278,692
Repairs and maintenance	916,009	875,607	387,476	268,035	174,566
Utilities	197,517	144,696	118,091	76,633	39,439
Leases	228,000	93,000			
Administrative	110,283	71,130	51,739	50,322	37,956
Other	42,408	12,166	11,971	9,358	4,088
Capital outlay	53,500				
Total Expenditures	<u>2,893,066</u>	<u>2,349,998</u>	<u>1,373,265</u>	<u>930,410</u>	<u>669,340</u>
Revenues Over Expenditures	<u>\$ 321,594</u>	<u>\$ 297,085</u>	<u>\$ 782,999</u>	<u>\$ 1,021,035</u>	<u>\$ 452,014</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
31%	48%	48%	37%	43%
12%				
52%	48%	47%	51%	48%
1%	*			
2%	3%	4%	11%	8%
1%	1%	1%	1%	1%
1%	*	*	*	*
100%	100%	100%	100%	100%
11%	15%	10%	7%	12%
30%	29%	27%	20%	25%
28%	33%	18%	14%	16%
6%	5%	5%	4%	4%
7%	4%			
3%	3%	2%	3%	3%
1%	*	1%	*	*
2%				
88%	89%	63%	48%	60%
12%	11%	37%	52%	40%

Montgomery County Municipal Utility District No. 113
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	\$ 6,231,925	\$ 5,812,871	\$ 4,917,233	\$ 2,985,802	\$ 1,500,376
Penalties and interest	46,897	45,300	25,349	11,444	10,019
Accrued interest on bonds sold			51,033	11,830	25,790
Miscellaneous					160
Investment earnings	61,866	21,374	10,546	7,584	3,378
Total Revenues	<u>6,340,688</u>	<u>5,879,545</u>	<u>5,004,161</u>	<u>3,016,660</u>	<u>1,539,723</u>
Expenditures					
Tax collection services	121,745	109,256	75,958	48,388	27,183
Other	7,500		5,000		
Debt service					
Principal	2,480,000	2,315,000	1,110,000	415,000	190,000
Interest and fees	3,032,756	2,528,428	1,909,143	1,420,756	849,668
Debt issuance costs			187,091		
Total Expenditures	<u>5,642,001</u>	<u>4,952,684</u>	<u>3,287,192</u>	<u>1,884,144</u>	<u>1,066,851</u>
Revenues Over Expenditures	<u>\$ 698,687</u>	<u>\$ 926,861</u>	<u>\$ 1,716,969</u>	<u>\$ 1,132,516</u>	<u>\$ 472,872</u>
Total Active Retail Wastewater Connections	<u>2,811</u>	<u>2,533</u>	<u>2,005</u>	<u>1,739</u>	<u>1,252</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
98%	99%	98%	100%	97%
1%	1%	1%	*	1%
		1%	*	2%
				*
1%	*	*	*	*
100%	100%	100%	100%	100%
2%	2%	2%	2%	2%
*		*		
39%	39%	22%	14%	12%
48%	43%	38%	47%	55%
		4%		
89%	84%	66%	63%	69%
11%	16%	34%	37%	31%

Montgomery County Municipal Utility District No. 113
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2018

Complete District Mailing Address: C/O The Muller Law Group, PLLC
 202 Century Square Boulevard, Sugar Land, TX 77478

District Business Telephone Number: (281) 500-6050

Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): August 7, 2017

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
David Garrett	05/16 - 05/20	\$ 1,800	\$ 534	President
Amy Scott	05/18 - 05/22	3,000	1,147	Vice President
Chris Uzelmeier	05/16 - 05/20	2,550	836	Secretary
Robert Green	05/18 - 05/22	3,000	583	Assistant Vice President
Cato McDaniel	05/18 - 05/22	1,650	56	Assistant Secretary
Amounts Paid				
Consultants				
The Muller Law Group, PLLC	03/14	\$ 255,637		Attorney
Municipal Operations & Consulting, Inc.	12/16	998,167		Operator
Myrtle Cruz, Inc.	08/07	22,869		Bookkeeper
Assessments of the Southwest, Inc.	08/07	38,526		Tax Collector
Montgomery Central Appraisal District	Legislation	68,014		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	04/09	11,562		Delinquent Tax Attorney
LJA Engineering, Inc.	08/07			Engineer
<i>Amounts paid directly by district</i>		232,099		
<i>Amounts paid from developer reimbursements</i>		156,071		
McGrath & Co., PLLC	Annual	25,600		Auditor
Robert W. Baird & Co.	02/15	33,000		Financial Advisor
TBG Partners, Inc.	10/07			Landscape Architect
<i>Amounts paid directly by district</i>		31,668		
<i>Amounts paid from developer reimbursements</i>		380,994		

* Fees of Office are the amounts actually paid to a director during the District's fiscal year.
 See accompanying auditors' report.