MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 113
(Montgomery County, Texas)

PRELIMINARY OFFICIAL STATEMENT
DATED: JULY 21, 2014

$17,200,000
UNLIMITED TAX BONDS
SERIES 2014

BIDS TO BE SUBMITTED: 11:00 A.M., HOUSTON, TEXAS TIME
THURSDAY, AUGUST 7, 2014

RBC Capital Markets®

Financial Advisor

PRELIMINARY OFFICIAL STATEMENT DATED JULY 21, 2014

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations. See "Tax Matters" for a discussion of the opinion of Bond Counsel.

The Bonds will NOT be designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE BOOK-ENTRY-ONLY

$17,200,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 113

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

UNLIMITED TAX BONDS, SERIES 2014

Interest accrues from: September 1, 2014 Due: September 1, as shown below

Interest on the herein described bonds (the "Bonds") will accrue from September 1, 2014, and is payable on March 1, 2015, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Regions Bank, Houston, Texas, an Alabama banking corporation (the "Paying Agent"). The Bonds are obligations solely of Montgomery County Municipal Utility District No. 113 (the "District") and are not obligations of Montgomery County, Texas; the City of Conroe, Texas; the State of Texas; or any entity other than the District.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)
2015	$ 405,000	____%	____%	2027(b)	$ 695,000	____%	____%
2016	420,000	____%	____%	2028(b)	730,000	____%	____%
2017	440,000	____%	____%	2029(b)	765,000	____%	____%
2018	460,000	____%	____%	2030(b)	800,000	____%	____%
2019	480,000	____%	____%	2031(b)	840,000	____%	____%
2020	505,000	____%	____%	2032(b)	880,000	____%	____%
2021	525,000	____%	____%	2033(b)	920,000	____%	____%
2022	550,000	____%	____%	2034(b)	965,000	____%	____%
2023(b)	580,000	____%	____%	2035(b)	1,010,000	____%	____%
2024(b)	605,000	____%	____%	2036(b)	1,055,000	____%	____%
2025(b)	635,000	____%	____%	2037(b)	1,110,000	____%	____%
2026(b)	665,000	____%	____%	2038(b)	1,160,000	____%	____%

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) Bonds maturing on September 1, 2023, and thereafter shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on September 1, 2022, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Initial Purchaser may designate one or more maturities as Term Bonds.

The Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the "System") to serve the District. Voters in the District have authorized a total of $170,220,000 principal amount of bonds for the System and for refunding purposes. Additionally, the voters in the District have authorized a total of $47,400,000 principal amount of unlimited tax bonds for road purposes and for refunding purposes, and $16,445,000 principal amount of unlimited tax bonds for parks and recreational facilities and for refunding purposes. Following the issuance of the Bonds, $141,620,000 principal amount of unlimited tax bonds for the System and for refunding purposes, $34,460,000 principal amount of unlimited tax bonds for roads and $16,445,000 for parks and recreational facilities and for refunding purposes will remain authorized and unissued. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by, The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Coats, Rose, Yale, Ryman & Lee, P.C., Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about September 4, 2014, in Houston, Texas.

BIDS TO BE SUBMITTED: 11:00 A.M., HOUSTON, TEXAS TIME
THURSDAY, AUGUST 7, 2014

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from The Muller Law Group, PLLC for further information.

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of ______________________ ____ (the "Initial Purchaser" or "Underwriter") to purchase the Bonds at the interest rates shown on page 1 of this Official Statement at a price of _______% of par plus accrued interest to date of delivery, resulting in a net effective interest rate to the District of _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Initial Purchaser.

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

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

Securities Laws

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

MUNICIPAL BOND GUARANTY INSURANCE AND RATING

The District has made an application to Build America Mutual Assurance Company ("BAM") and Assured Guaranty Municipal Corp. ("AGM") for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by rating companies, other than Moody's Investor Service ("Moody's"), will be at the expense of the Underwriter. The District will pay the rating fees charged by Moody's.

Moody's has assigned an underlying credit rating of "A3" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if, in their judgment, circumstances so warrant. Any such revisions or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned the Bonds other than the rating of Moody's.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

Description	$17,200,000 Montgomery County Municipal Utility District No. 113 (the "District") Unlimited Tax Bonds, Series 2014, are dated September 1, 2014, and mature on September 1 in the years and amounts set forth on the cover page hereof. Interest accrues from September 1, 2014, at the rates per annum set forth on the cover page hereof and is payable on March 1, 2015, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS – General."
Redemption..	Bonds maturing on and after September 1, 2023, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2022, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS - Redemption Provisions".
Source of Payment...	Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. **The Bonds are obligations solely of Montgomery County Municipal Utility District No. 113 and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any other political subdivision or entity other than the District.** See "THE BONDS - Source of Payment."
Authority for Issuance	The Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the "System") to serve the District. Voters in the District have authorized a total of $170,220,000 principal amount of unlimited tax bonds for the System and refunding purposes. Additionally, the voters in the District have authorized a total of $47,400,000 principal amount of unlimited tax bonds for road purposes and refunding purposes and $16,445,000 principal amount of bonds for parks and recreational facilities and refunding purposes. Following the issuance of the Bonds, $141,620,000 principal amount of unlimited tax bonds for the System, $34,460,000 principal amount of unlimited tax bonds for roads, and $16,445,000 principal amount of unlimited tax bonds for parks and recreational facilities will remain authorized and unissued. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment." The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"); Chapter 8212 of the Texas Special District Local Laws Code; the Bond Resolution; an election held on May 10, 2008; and Article XVI, Section 59 of the Texas Constitution. See "THE BONDS - Authority for Issuance, and - Issuance of Additional Debt."

Use of Proceeds	The proceeds of the Bonds will be used, in part, to redeem the District's $5,280,000 Bond Anticipation Note, Series 2013 (the "BAN"), the proceeds of which were used to reimburse the Developer (hereinafter defined) for (i) a portion of the water, wastewater and drainage improvements to serve Woodforest, Sections 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15 and Section 4, Phase 2 and (ii) operating advances. The remaining bond proceeds will be used to (i) reimburse the Developer for the remaining portions of project costs partially reimbursed from the BAN and (ii) design, permit and construct phase I of a permanent wastewater treatment plant to serve the District. Additionally, proceeds from the Bonds will be used to pay twelve (12) months of capitalized interest on the Bonds, developer interest, operating costs of the District and certain costs of issuance of the BAN and Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Outstanding Bonds	The following bonds have been previously issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the "System") to serve the District: $3,700,000 Unlimited Tax Bonds, Series 2010 (the "Series 2010 System Bonds"), $1,765,000 Unlimited Tax Bonds, Series 2012 (the "Series 2012 System Bonds") and $5,935,000 Unlimited Tax Bonds, Series 2013 (the "Series 2013 System Bonds") of which $11,400,000 principal amount of bonds remains outstanding (the "Outstanding System Bonds"). The following bonds have been previously issued by the District for road improvements: $3,590,000 Unlimited Tax Road Improvement Bonds, Series 2011 (the "Series 2011 Road Bonds"), $3,700,000 Unlimited Tax Road Improvement Bonds, Series 2012 (the "Series 2012 Road Bonds") and $5,650,000 Unlimited Tax Road Improvement Bonds, Series 2013 (the "Series 2013 Road Bonds") of which $12,940,000 principal amount of bonds remain outstanding (the "Outstanding Road Bonds"). The Outstanding System Bonds and the Outstanding Road Bonds are collectively referred to herein as the "Outstanding Bonds." See "THE BONDS – Outstanding Bonds."
Municipal Bond Insurance	Applications have been made for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, other than Moody's Investor Service ("Moody's), will be at the option of the Underwriter. Moody's has assigned an underlying rating of "A3" to the Bonds. See "MUNICIPAL BOND GUARANTY INSURANCE AND RATING."
General & Bond Counsel	The Muller Law Group, PLLC, Sugar Land, Texas.
Disclosure Counsel	Coats, Rose, Yale, Ryman & Lee, P.C., Houston, Texas.
Financial Advisor	RBC Capital Markets, LLC, Houston, Texas.
District Engineer	LJA Engineering, Inc., Houston, Texas.

THE DISTRICT

The Issuer	Montgomery County Municipal Utility District No. 113 (the "District") was created under Section 59, Article XVI, and Section 52, Article III, Texas Constitution by Senate Bill 1963 of the Texas Legislature, 80th Regular Session, effective June 16, 2007, as codified in Chapter 8212 of the Texas Special District Local Laws Code. The District is part of an approximately 3,150-acre master-planned community known as "Woodforest." The District contains approximately 1,318.50 acres and is located entirely within Montgomery County and entirely within the extraterritorial jurisdiction of the City of Conroe. See "THE DISTRICT – General."
Location	The District is located in central Montgomery County, approximately 38 miles northwest of downtown Houston and is located entirely within the extraterritorial jurisdiction of the City of Conroe, Texas. The District lies approximately 6.5 miles west of Interstate Highway 45 and approximately 4 miles north of FM 1488. The District is generally bordered on the north by existing Ridge Lake Shores Development, on the east by Fish Creek, on the south by Lake Creek and on the west by Mound Creek. See "LOCATION MAP."
Developer and Principal Landowner	Woodforest Development, Inc. ("WDI" or the "Developer"), a Texas corporation, is the principal developer in the District. Its president is Larry D. Johnson of Johnson Development Corp. Woodforest Partners, L.P. ("WPLP"), a Texas limited partnership whose general partner is Woodforest GP L.L.C. and whose limited partner is Riverway 2006 Partners, L.P., is an affiliated entity of WDI. Together, these two entities currently own approximately 2,440 acres in Woodforest, including 608 acres in the District.
Development within the District	Land within the District has been developed as the single-family subdivision of Woodforest, Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 41, 43 and 44; Elk Trace Golf Estates, Section 1; and Bonterra at Woodforest, Section 1 (aggregating 709.68 acres and 1,683 single-family lots). In addition, WDI is developing Woodforest, Sections 40, 42, 45, 46, 47, 48, 49, 52, 53 and 54 (aggregating 207.135 acres and 481 lots). As of July 1, 2014, the District consisted of 983 complete and occupied homes, 57 complete and unoccupied homes, 19 model homes, 272 homes under construction and 352 vacant developed lots. Conroe Independent School District has constructed an elementary school on approximately 15.4 acres and will open in August, 2014. A fire station has been constructed on 1.18 acres. The District contains an aquatic center and splash pool located on approximately 20 acres. In addition, the District contains approximately 166.28 undeveloped but developable acres and approximately 200 undevelopable acres. See "DEVELOPMENT WITHIN THE DISTRICT."
Homebuilders	Homebuilders active in the District include D.R. Horton Homes, Village Builders, Gracepoint Homes, Chesmar Homes, Taylor Morrison Homes, Huntington Homes, Perry Homes, Ryland Homes, Partners-in-Building, Mary Ross Custom Homes, Lennar Homes, Sullivan Signature Homes, George Weaver Custom Homes, Highland

Homes, Jeff Paul Custom Homes, Coventry Homes, Newmark Homes, Darling Homes, Chesmar and Taylor Morrison. The homes being marketed in the District range in price from $190,000 to over $1.5 million.

On December 21, 2012, WDI entered into a lot sale contract to sell 718 lots to Taylor Morrison Homes of Texas, Inc. ("Taylor Morrison") to be developed as Bonterra at Woodforest, an active adult community. To date, Taylor Morrison has purchased 50 lots under the lot sale contract. Taylor Morrison is a publicly traded company on the New York Stock Exchange and a national homebuilder, which is actively building homes in 5 states. For more information, visit www.taylormorrison.com. Development of Bonterra at Woodforest, Section 1 (110 lots) has been completed. Taylor Morrison has constructed 9 model homes.

Woodforest .... The District is part of the 3,150-acre master-planned community of "Woodforest." Currently, all of the residential development in Woodforest has occurred in the District. Inside the boundaries of the District, WDI has constructed 8 parks, an open playground, an approximately 5.56 mile trail system, 4 fountains and 3 lakes. The Developer has also constructed Forest Island, a 20-acre recreational facility that includes a 5,000 square foot resort-style pool, a 10,000 square foot pool deck, 2 water slides, a basketball court, splash pad, 2 tennis courts, restroom facilities and a food vending area. In addition, Conroe Independent School District has constructed an elementary school and a fire station has been constructed in the District. Other amenities located within Woodforest, but outside the boundaries of the District are a 27-hole golf course and clubhouse, a practice field, baseball field and dog park. See "WOODFOREST."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2014 Assessed Valuation (100% of market value as of January 1, 2014) See "TAX DATA" and "TAXING PROCEDURES."		$359,831,606 (a)
Estimated Valuation as of May 1, 2014 (100% of estimated market value as of May 1, 2014) See "TAX DATA" and "TAXING PROCEDURES."		$429,806,007 (b)
Direct Debt:		
The Outstanding Road Bonds		$ 12,865,000
The Outstanding System Bonds		11,285,000
The Bonds		17,200,000
Total		$ 41,350,000
Estimated Overlapping Debt		$ 9,716,182
Total Direct and Estimated Overlapping Debt		$ 51,066,182
Ratio of Direct Debt to……. 2014 Assessed Valuation ($359,831,606)		11.49 %
Estimated Valuation as of 05-01-2014 ($429,806,007)		9.62 %
Ratio of Direct and Estimated Overlapping Debt to…… 2014 Assessed Valuation ($359,831,606)		14.19 %
Estimated Valuation as of 05-01-2014 ($429,806,007)		11.88 %
System Debt Service Fund Balance (as of July 21, 2014, 2014)		$ 967,239 (c)
Road Debt Service Fund Balance (as of July 21, 2014)		$ 1,278,573 (d)
System Construction Fund Balance (as of July 21, 2014)		$ 239,010
Road Construction Fund Balance (as of July 21, 2014)		$ 896,245
Operating Fund Balance (as of July 21, 2014)		$ 693,045
2013 Tax Rate		
System Debt Service	$0.40	
Road Debt Service	0.46	
Maintenance & Operation	0.31	
Total		$1.17 (e)
Projected Average Annual Debt Service Requirement on the Outstanding System Bonds and the Bonds (2015-2038)		$ 1,987,951 (f)
Projected Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the Bonds (2032)		$ 2,080,819 (f)
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding System Bonds and the Bonds (2015-2038) at 95% Tax Collections		
Based Upon 2014 Assessed Valuation ($359,831,606)		$0.59
Based Upon Estimated Valuation at May 1, 2014 ($429,806,007)		$0.49

Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the Bonds (2032) at 95% Tax Collections	
Based Upon 2014 Assessed Valuation ($359,831,606)	$0.61
Based Upon Estimated Valuation at May 1, 2014 ($429,806,007)	$0.51
Average Annual Debt Service Requirement on the Outstanding Road Bonds (2015-2037)	$ 911,584
Maximum Annual Debt Service Requirement on the Outstanding Road Bonds (2035)	$ 1,007,310
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Road Bonds (2014-2036) at 95% Tax Collections	
Based Upon 2014 Assessed Valuation ($359,831,606)	$0.27
Based Upon Estimated Valuation at May 1, 2014 ($429,806,007)	$0.23
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Road Bonds (2035) at 95% Tax Collections	
Based Upon 2014 Assessed Valuation ($359,831,606)	$0.30
Based Upon Estimated Valuation at May 1, 2014 ($429,806,007)	$0.25

(a) Certified Taxable Assessed Value within the District as provided by the Montgomery Central Appraisal District ("MCAD").

(b) Provided by the MCAD for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of May 1, 2014, and includes an estimate of values resulting from the construction of taxable improvements from January1, 2013, through May 1, 2014. No taxes will be levied against this amount. See "DEVELOPMENT WITHIN THE DISTRICT."

(c) Neither Texas Law nor the Bond Resolution requires that the District maintain any particular sum in the System Debt Service Fund. Twelve (12) months of capitalized interest will be set aside from the proceeds of the Bonds and placed into the System Debt Service Fund. The funds in the System Debt Service Fund are pledged only to pay the debt service on the Outstanding System Bonds and the Bonds and not to the Outstanding Road Bonds.

(d) The funds in the Road Debt Service Fund are pledged only to pay the debt service on the Outstanding Road Bonds, and are not pledged and may not be used to pay debt service in the Outstanding System Bonds or the Bonds.

(e) The Texas Commission on Environmental Quality has recommended the District levy a debt service tax rate of at least $0.40 per $100 of assessed valuation in the first tax year following the issuance of the Bonds. This recommendation was based upon the Bonds being sold at a maximum net effective interest rate of 5.45%.

(f) Debt service on the Bonds is estimated at an average interest rate of 4.75%. See "DISTRICT DEBT – Debt Service Requirements."

OFFICIAL STATEMENT

relating to

$17,200,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 113
(A Political Subdivision of the State of Texas Located in Montgomery County, Texas)

Unlimited Tax Bonds, Series 2014

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 113 (the "District") of its $17,200,000 Unlimited Tax Bonds, Series 2014 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution Chapter 8212 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of the District on the date of the sale of the Bonds, an election held in the District, and an approving order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at The Muller Law Group, PLLC, 16555 Southwest Freeway, Suite 200, Sugar Land, Texas 77479 or during the offering period from the District's Financial Advisor, RBC Capital Markets, LLC, Attn: Jan Bartholomew, 1001 Fannin Street, Suite 1200, Houston, Texas 77002 upon payment of reasonable copying, mailing and handling charges.

THE BONDS

General

The $17,200,000 Montgomery County Municipal Utility District No. 113 Unlimited Tax Bonds, Series 2014, will bear interest from September 1, 2014, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the cover page hereof. Interest on the Bonds will be paid on March 1, 2015, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in the denomination of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner ("Registered Owner") and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Regions Bank, Houston, Texas, an Alabama banking corporation (the "Paying Agent/Registrar," "Paying Agent," or "Registrar").

Redemption Provisions

The Bonds maturing on and after September 1, 2023, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2022, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent is required to select the Bonds of such maturity to be redeemed by lot.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System (hereinafter defined) should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Registrar only upon presentation and surrender thereof to the Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Registrar. A new Bond or Bonds will be delivered by the Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See “BOOK-ENTRY-ONLY SYSTEM” herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

Replacement of Paying Agent

Provision is made in the Bond Resolution for replacement of the Paying Agent by the District. If the Paying Agent is replaced by the District, the new Paying Agent shall act in the same capacity as the previous Paying Agent. Any Paying Agent selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as paying agent for the Bonds.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any Unlimited Tax Bonds hereafter issued. The Bonds are obligations of the District and are not the obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any other political subdivision or any entity other than the District.

Payment Record

The Bonds represent the 4th series of bonds issued by the District for purposes of acquiring or constructing a waterworks, wastewater and storm drainage system. The District has never defaulted on the timely payment of principal and interest on its Outstanding Bonds. The first year of interest is being set aside from the proceeds of the Bonds. See "THE BONDS – Source of Payment."

Authority for Issuance

The Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the "System") to serve the District. Voters in the District authorized a total of $170,220,000 principal amount of bonds for the System and refunding purposes. Following the issuance of the Bonds, $141,620,000 principal amount of unlimited tax bonds for the System will remain authorized and unissued.

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution; Chapter 8212 of the Texas Special District Local Laws Code; an election held on May 10, 2008; an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"); and the Bond Resolution.

Issuance of Additional Debt

The District may issue additional bonds. In addition to the $170,220,000 principal amount of System Bonds, the District's voters authorized $47,400,000 principal amount of unlimited tax bonds for road improvements (the "Roads") to serve the District and $16,445,000 principal amount of unlimited tax bonds for parks and recreational facilities. Following the issuance of the Bonds, $141,620,000 principal amount of unlimited tax bonds for the System, $34,460,000 principal amount of unlimited tax road bonds and $16,445,000 for parks and recreational facilities will remain authorized and unissued.

The District anticipates issuing approximately $2,000,000 to reimburse the Developer for road projects in the 3rd quarter of 2014 and submitting a bond application for the purposes of reimbursing the Developer for System and recreational projects in the 4th quarter of 2014. Upon approval from the TCEQ, such bonds would be sold in 2015.

Following the issuance of the Bonds, the District will owe the Developer approximately $28,400,000 in reimbursable expenses for District projects, the funds for which were advanced by the Developer.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's consulting engineer, LJA Engineering Inc. (the "Engineer"), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility facilities, and to finance the extension of water, wastewater and storm drainage facilities and services to serve the remaining undeveloped land and road improvements within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. See "INVESTMENT CONSIDERATIONS – Limitation to Registered Owners' Remedies."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchase of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities in discontinued. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to Registered Owners should be read to include the person for whom the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolution will be given only to DTC.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used, in part, to redeem the District's $5,280,000 Bond Anticipation Note, Series 2013 (the "BAN"), the proceeds of which were used to reimburse the Developer (hereinafter defined) for (i) a portion of the water, wastewater and drainage improvements to serve Woodforest, Sections 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15 and Section 4, Phase 2 and (ii) operating advances. The remaining bond proceeds will be used to (i) reimburse the Developer for the remaining portions of project costs partially reimbursed from the BAN and (ii) design, permit and construct phase I of a permanent wastewater treatment plant to serve the District. Additionally, proceeds from the Bonds will be used to pay twelve (12) months of capitalized interest on the Bonds, developer interest, operating costs of the District and certain costs of issuance of the BAN and Bonds.

			Amount
CONSTRUCTION COSTS			
A. Developer Contribution Items			
1. Woodforest Parkway North - Engineering			$ 248,979
2. Woodforest Section 3 and Woodforest Section 4 Phase 2			944,444
	a. SWPPP		8,251
	b. Clearing		1,275
	c. Stage 2		19,465
		Subtotal	$ 973,435
3. Woodforest Section 2			$ 402,168
	a. SWPPP		14,337
	b. Clearing		1,050
		Subtotal	$ 417,555
4. Woodforest Section 6			$ 269,708
	a. SWPPP		10,750
		Subtotal	$ 280,458
5. Woodforest Section 5			$ 186,367
	a. SWPPP		13,628
	b. Clearing		7,057
		Subtotal	$ 207,052
6. Woodforest Section 9			$ 181,937
	a. SWPPP		8,460
	b. Clearing		14,307
		Subtotal	$ 204,704
7. Woodforest Section 15			$ 240,054
	a. SWPPP		14,160
	b. Clearing		7,449
		Subtotal	$ 261,663
8. Woodforest Section 14			$ 535,686
	a. SWPPP		$ 22,335
	b. Clearing		9,808
		Subtotal	$ 567,829
9. Woodforest Section 8			$ 169,922
	a. SWPPP		7,244
	b. Clearing		9,808
		Subtotal	$ 186,974
10. Woodforest Interim Lift Station No. 2			$ 138,005
	a. Clearing		950
		Subtotal	$ 138,955
11. Woodforest Section 10			$ 290,507
	a. SWPPP		10,168
	b. Clearing		8,081
		Subtotal	$ 308,756

12.	Woodforest Section 12		$ 373,238
	a. SWPPP		14,409
	b. Clearing		12,429
		Subtotal	400,076
13.	Woodforest Section 11		$ 1,696,776
	a. SWPPP		22,490
	b. Clearing		67,561
		Subtotal	$ 1,786,827
14.	Woodforest Parkway North Extension (WF Section 1 to Section 11)		$ 138,144
	a. SWPPP		23,442
	b. Clearing		17,703
		Subtotal	$ 179,289
15.	Engineering, Surveying and Material Testing (18.4% of Items Nos. 2-14)		$ 1,123,694
	Total Developer Contribution Items		$ 7,286,246

B. District Items	
1. Wastewater Treatment Plant Phase 1 Expansion	$ 6,000,000
2. Engineering (8.3% of Item No. 1)	500,000
Total District Items	$ 6,500,000
TOTAL CONSTRUCTION COSTS (80.23% of Bond Issue Requirement)	**$13,786,246**

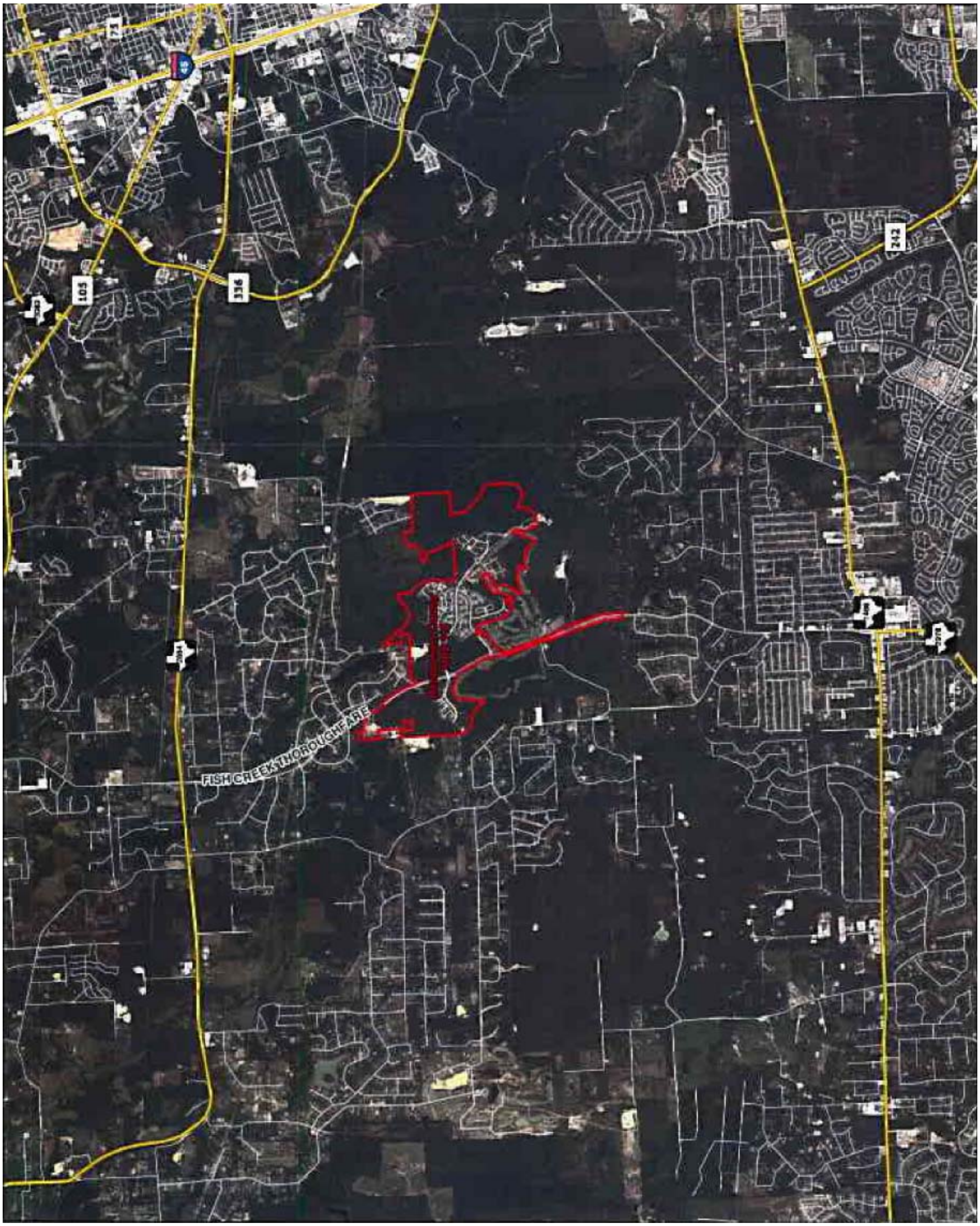
NON-CONSTRUCTION COSTS

A.	Legal Fees (2.23%)	$ 384,000
B.	Fiscal Agent Fees (2.0%)	344,000
C.	Interest	
	1. Capitalized Interest (12 months @ 5.25%)	903,000
	2. Developer Interest	763,258
	3. Bond Anticipation Note	132,000
D.	Bond Discount (3%)	516,000
E.	Bond Issuance Expenses	78,118
F.	Bond Anticipation Note Costs	114,878
G.	Operating Costs	80,000
H.	Bond Application Report	46,000
I.	Attorney General Fees (0.10% or $9,500 max)	9,500
J.	TCEQ Bond Issuance Fee (0.25%)	43,000
	TOTAL NON-CONSTRUCTION COSTS	**$ 3,413,754**
	TOTAL BOND ISSUE REQUIREMENT	**$17,200,000**

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken May, 2014)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken May, 2014)

LOCATION MAP



THE DISTRICT

General

The District is a political subdivision of the State of Texas, operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 8212 of the Texas Special District Local Laws Code. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District is also empowered to finance certain road improvements, as long as they meet the Montgomery County or City of Conroe criteria for a thoroughfare, arterial, or collector road. The District may also provide solid waste collection and disposal service and operate, maintain and construct recreational facilities.

The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. However, fire protection service in the District is provided by Montgomery County Emergency Services District No. 3 ("ESD No. 3") which has constructed a fire station in the District. ESD No. 3 levies an ad valorem tax separate and apart from the District. See "TAX DATA – Estimated Overlapping Taxes." The District is subject to the continuing supervision of the TCEQ.

Location

The District encompasses approximately 1,318.50 acres and is located in central Montgomery County, approximately 38 miles northwest of downtown Houston, and is located entirely within the extraterritorial jurisdiction of the City of Conroe, Texas. The District lies approximately 6.5 miles west of Interstate Highway 45 and approximately 4 miles north of FM 1488. The District is generally bordered on the north by existing Ridge Lake Shores Development, on the east by Fish Creek, on the south by Lake Creek and on the west by Mound Creek. See "LOCATION MAP."

Management of the District

- Board of Directors -

The District is governed by a board, consisting of five directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four year terms, with elections held within the District on the second Saturday in May in each even numbered year. All of the directors own property in the District.

Name	Position	Term Expires May
David Garrett	President	2016
Ashley S. Grigsby	Vice President	2018
Jeffrey Nielsen	Secretary	2016
Genevieve "Gigi" Strang	Assistant Vice President	2018
Jamie Bingham	Assistant Secretary	2018

- Consultants -

Tax Assessor/Collector - Land and improvements in the District are being appraised by the Montgomery Central Appraisal District. The Tax Assessor/Collector for the District is Assessments of the Southwest, Inc.

Bookkeeper - The District contracts with Myrtle Cruz, Inc. as Bookkeeper for the District.

Engineer - The District's consulting engineer is LJA Engineering, Inc. (the "Engineer").

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit prepared by McGrath & Co., PLLC for the fiscal year ended May 31, 2013, is included as APPENDIX A to this Official Statement.

Financial Advisor - RBC Capital Markets, LLC serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Bond & General Counsel - The District has engaged The Muller Law Group, PLLC, Sugar Land, Texas, as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Muller Law Group, PLLC, Sugar Land, Texas, also serves as the District's general counsel.

Disclosure Counsel - Coats, Rose, Yale, Ryman & Lee, P.C., Houston, Texas, has been designated as Disclosure Counsel. The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE DEVELOPER AND PRINCIPAL LANDOWNER

The Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of its property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Description of the Developer and Principal Landowner

Woodforest Development, Inc. ("WDI" or the "Developer"), a Texas corporation, is the principal developer in the District. Its president is Larry D. Johnson of Johnson Development Corp. Woodforest Partners, L.P. ("WPLP"), a Texas limited partnership whose general partner is Woodforest GP L.L.C. and whose limited partner is Riverway 2006 Partners, L.P, is an affiliated entity of WDI. Together, these two entities currently own approximately 608 acres in the District.

Development Financing

In April, 2007, WDI and WPLP obtained a revolving credit development loan for the Woodforest project from Woodforest National Bank. The loan, which was modified in March, 2010, may have a maximum principal balance of \$26,500,000, bears interest at one month LIBOR plus 300 basis points, with a minimum rate of 5.75%, and matures on December 31, 2016. The loan is secured by a first lien deed of trust on approximately 2,800 acres of land in the Woodforest project, owned by WDI and WPLP. The outstanding balance on the loan is \$3,956,722 as of June 30, 2014. According to WDI, the borrowers are in compliance with all material conditions of the loan.

In addition to the Woodforest National Bank loan, the principals of WDI and WPLP obtained a \$41,340,400 mezzanine loan in August, 2006 from Residential Funding Corporation ("RFC") to finance the acquisition of the property within the Woodforest project. This loan was sold by RFC to FC Houston Note, LLC and modified simultaneously with the modification of the Woodforest National Bank development loan to extend the term of the loan until the earlier of the sale of all property in the Woodforest project or December 31, 2026. This loan is fully funded and no additional borrowings are permitted. According to WDI, the borrowers are in compliance with all material conditions of this loan. In August of 2012, FC Houston Note, LLC sold the loan to JP Woodforest, LP.

In addition to the loans described above, simultaneously with the modification of the Woodforest National Bank development loan and the modification of the mezzanine loan now owned by JP Woodforest, LP, WDI and WPLP obtained a \$9,800,000.00 loan from Woodforest Second Lien Holder, LP ("Woodforest Second Lien Holder"), the proceeds of which were used primarily to pay down the principal balance of the Woodforest National Bank loan. This loan is secured by a deed of trust lien on the property in the Woodforest project subordinate to the liens which secure the Woodforest National Bank loan, bears interest at the rate of 10% per annum and has a maturity date of the earlier of the sale of all property in the Woodforest project or December 31, 2026. This loan is fully funded and no additional borrowings are permitted. According to WDI, the borrowers are in compliance with all material conditions of this loan. The partners of Woodforest Second Lien Holder are entities affiliated with Larry D. Johnson and PAR Real Estate Holdings, LLC, a Houston area investor group and an affiliate of Woodforest National Bank.

Lot Sales Contracts

The Developer has entered into current lot sales contracts with the following homebuilders: Village Builders, Gracepoint Homes, Huntington Homes, D.R. Horton Homes, Taylor Morrison Homes, Highland Homes, Ltd., Lennar Homes, Perry Homes, Ryland Homes, Chesmar Homes, Darling Homes, Coventry Homes, Newmark Homes and Partners in Building. The homebuilders have contracted to purchase 1,780 lots. As of July 1, 2014, the homebuilders have purchased 1,515 lots. According to the Developer, all of the homebuilders are in compliance with their respective lot sales contracts. The Developer has also entered into lot sales contracts with the following custom homebuilders: Jeff Paul Custom Homes, Mary Ross Custom Homes and Sullivan Signature Homes. The Developer has also begun a program of selling homes to individuals, under which the individual must begin construction within two years. As of July 1, 2014, the custom homebuilders and various individuals have purchased 57 lots. As of July 1, 2014 there were 11 custom homes under construction in the District. According to the Developer, all of the custom homebuilders are in compliance with their respective lot sales contracts.

On December 21, 2012, WDI entered into a lot sale contract to sell 718 lots to Taylor Morrison Homes of Texas, Inc. ("Taylor Morrison") to be developed as Bonterra at Woodforest, an active adult community. To date, Taylor Morrison has purchased 50 lots under the lot sale contract. Taylor Morrison is a publicly traded company on the New York Stock Exchange and a national homebuilder, which is actively building homes in 5 states. For more information, visit www.taylormorrison.com. Development of Bonterra at Woodforest, Section 1 has been completed. Taylor Morrison has constructed 9 model homes.

DEVELOPMENT WITHIN THE DISTRICT

Current Status of Development

Land within the District has been developed as the single-family subdivision of Woodforest, Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 41, 43 and 44; Elk Trace Golf Estates, Section 1; and Bonterra at Woodforest, Section 1 (aggregating 709.68 acres and 1,683 single-family lots). In addition, WDI is developing Woodforest, Sections 40, 42, 45, 46, 47, 48, 49, 52, 53 and 54 (aggregating 207.135 acres and 481 lots). As of July 1, 2014, the District consisted of 983 complete and occupied homes, 57 complete and unoccupied homes, 19 model homes, 272 homes under construction and 352 vacant developed lots. Conroe Independent School District has constructed an elementary school on approximately 15.4 acres and will open in August, 2014. A fire station has been constructed on 1.18 acres. The District contains an aquatic center and splash pool located on approximately 20 acres. In addition, the District contains approximately 166.28 undeveloped but developable acres and approximately 200 undevelopable acres.

WOODFOREST

The District is part of the 3,150-acre master-planned community of "Woodforest." Currently, all of the residential development in Woodforest has occurred in the District. Inside the boundaries of the District, WDI has constructed 8 parks, an open playground, an approximately 5.56 mile trail system, 4 fountains and 3 lakes. The Developer has also constructed Forest Island, a 20-acre recreational facility that includes a 5,000 square foot resort-style pool, a 10,000 square foot pool deck, 2 water slides, a basketball court, splash pad, 2 tennis courts, restroom facilities and a food vending area. Other public facilities in the District include an elementary school and a fire station has been constructed in the District. Other amenities located within Woodforest, but outside the boundaries of the District are a 27-hole golf course and clubhouse, a practice field, baseball field and dog park. See "WOODFOREST."

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PROJECTED DEBT SERVICE REQUIREMENTS

The following schedule sets forth the debt service on the Outstanding System Bonds and the Outstanding Road Bonds, and the principal and estimated interest requirements on the Bonds, assuming an estimated interest rate of 4.75% on the Bonds.

			Plus: The Bonds				
Year End 12/31	Outstanding System Bonds Debt Service	Outstanding Road Bonds Debt Service	Principal (Due September 1)	Interest	Total Debt Service	Total System Debt Service	Total Debt Service Requirements
2014	$794,670	$714,350				$794,670	$1,509,021
2015	790,020	869,890	$405,000	$817,000	$1,222,000	2,012,020	2,881,910
2016	790,995	880,765	420,000	797,763	1,217,763	2,008,758	2,889,523
2017	801,845	886,040	440,000	777,813	1,217,813	2,019,658	2,905,698
2018	802,495	895,865	460,000	756,913	1,216,913	2,019,408	2,915,273
2019	812,063	904,683	480,000	735,063	1,215,063	2,027,125	2,931,808
2020	815,238	912,343	505,000	712,263	1,217,263	2,032,500	2,944,843
2021	821,938	918,819	525,000	688,275	1,213,275	2,035,213	2,954,031
2022	827,058	927,379	550,000	663,338	1,213,338	2,040,395	2,967,774
2023	830,838	934,479	580,000	637,213	1,217,213	2,048,050	2,982,529
2024	838,158	945,004	605,000	609,663	1,214,663	2,052,820	2,997,824
2025	844,135	948,844	635,000	580,925	1,215,925	2,060,060	3,008,904
2026	843,045	951,139	665,000	550,763	1,215,763	2,058,808	3,009,946
2027	850,661	962,059	695,000	519,175	1,214,175	2,064,836	3,026,895
2028	856,211	965,326	730,000	486,163	1,216,163	2,072,374	3,037,700
2029	855,065	971,908	765,000	451,488	1,216,488	2,071,553	3,043,460
2030	857,065	975,960	800,000	415,150	1,215,150	2,072,215	3,048,175
2031	861,389	987,840	840,000	377,150	1,217,150	2,078,539	3,066,379
2032	863,569	991,030	880,000	337,250	1,217,250	2,080,819	3,071,849
2033	858,575	992,160	920,000	295,450	1,215,450	2,074,025	3,066,185
2034	861,250	1,001,000	965,000	251,750	1,216,750	2,078,000	3,079,000
2035	861,788	1,007,310	1,010,000	205,913	1,215,913	2,077,700	3,085,010
2036	560,100	706,090	1,055,000	157,938	1,212,938	1,773,038	2,479,128
2037	420,000	430,500	1,110,000	107,825	1,217,825	1,637,825	2,068,325
2038			1,160,000	55,100	1,215,100	1,215,100	1,215,100
	$19,318,168	$21,680,780	$17,200,000	$11,987,338	$29,187,338	$48,505,505	$70,186,286

Projected Average Annual Requirement on the Outstanding System Bonds and the Bonds - (2015-2038) $1,987,951

Projected Maximum Annual Requirement on the Outstanding System Bonds and the Bonds - (2032) $2,080,819

Average Annual Requirement on the Outstanding Road Bonds - (2015-2038) .... $ 911,584

Maximum Annual Requirement on the Outstanding Road Bonds - (2035) $1,007,310

DISTRICT FINANCIAL DATA

Assessed Value

2014 Assessed Valuation (100% of market value as of January 1, 2014) See "TAX DATA" and "TAXING PROCEDURES."	$359,831,606 (a)
Estimated Valuation as of May 1, 2014 (100% of estimated market value as of May 1, 2014) See "TAX DATA" and "TAXING PROCEDURES."	$429,806,007 (b)
Direct Debt:	
The Outstanding Road Bonds	$ 12,865,000
The Outstanding System Bonds	11,285,000
The Bonds	17,200,000
Total	$ 14,350,000
Estimated and Overlapping Debt	$ 9,716,182
Total Direct and Estimated Overlapping Debt	$ 51,066,182
System Debt Service Fund Balance (as of July 21, 2014)	$ 967,239 (c)
Road Debt Service Fund Balance (as of July 21, 2014)	$ 1,278,573 (d)
System Construction Fund Balance (as of July 21, 2014)	$ 239,010
Road Construction Fund Balance (as of July 21, 2014)	$ 896,245
Operating Fund Balance (as of July 21, 2014)	$ 693,045

Ratio of Direct Debt to…….	2014 Assessed Valuation ($359,831,606)	11.49 %
	Estimated Valuation as of 05-1-2014 ($429,806,007)	9.62 %
Ratio of Direct and Estimated Overlapping Debt to……	2014 Assessed Valuation ($359,831,606)	14.19 %
	Estimated Valuation as of 05-1-2014 ($429,806,007)	11.88 %

(a) Certified Taxable Assessed Value within the District as provided by the Montgomery Central Appraisal District ("MCAD").

(b) Provided by the MCAD for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of May 1, 2014, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2013, through May 1, 2014. See "DEVELOPMENT WITHIN THE DISTRICT."

(c) Neither Texas Law nor the Bond Resolution requires that the District maintain any particular sum in the System Debt Service Fund. Twelve (12) months of capitalized interest will be set aside from the proceeds of the Bonds and placed into the System Debt Service Fund. The funds in the System Debt Service Fund are pledged only to pay the debt service on the Outstanding System Bonds and the Bonds and not to the Outstanding Road Bonds.

(d) The funds in the Road Debt Service Fund are pledged only to pay the debt service on the Outstanding Road Bonds, and are not pledged and may not be used to pay debt service on the Outstanding System Bonds or the Bonds.

Unlimited Tax Bonds Authorized but Unissued

Date Authorization	Purpose	Authorized	Issued to Date	Unissued
05/10/08	Water, Wastewater, Drainage and Refundings	$170,220,000	$28,600,000 (a)	$141,600,000
05/10/08	Parks and Refundings	16,445,000	-0-	16,445,000
05/10/08	Roads and Refundings	47,400,000	12,940,000	34,460,000

(a) Includes the Bonds.

Investment Authority and Investment Practices of the District

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service.

Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in the "Texas Municipal Report," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Jurisdiction	Outstanding Debt as of June 30, 2014	Overlapping Percent	Overlapping Amount
Montgomery County	$ 428,650,000	0.27%	$ 1,160,172
Montgomery ISD	121,803,916	3.05%	3,709,244
Conroe ISD	978,330,000	0.35%	3,426,901
Lone Star College District	477,225,000	0.30%	1,419,866
TOTAL ESTIMATED OVERLAPPING DEBT			$ 9,716,182
Direct Debt			$41,350,000(a)
TOTAL DIRECT & ESTIMATED OVERLAPPING DEBT			$51,066,182

(a) Includes the Bonds.

Debt Ratios

	Direct Debt	Direct and Estimated Overlapping Debt
2014 Certified Assessed Valuation ($359,831,606)	11.49%	14.19%
Estimated Valuation as of May 1, 2014 ($429,806,007)	9.62%	11.88%

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed $1.25 per $100 of assessed valuation for operation and maintenance purposes and $0.25 for road facilities maintenance. The Board levied 2013 tax rates of $0.40 per $100 of assessed valuation for System debt service, $0.46 per $100 of assessed valuation for Road debt service and $0.31 per $100 of assessed valuation for operation and maintenance purposes.

Tax Rate Limitation

System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$1.25 per $100 of Assessed Valuation.
Road Facilities Maintenance:	$0.25 per $100 of Assessed Valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all of or any part of the Outstanding System Bonds or the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Outstanding System Bonds or the Bonds.

In the Bond Resolution, the Board covenants to deposit to the System Debt Service Fund the proceeds from all taxes levied, appraised and collected for payment of the Outstanding System Bonds and the Bonds authorized by the Bond Resolution.

The District also maintains a separate debt service fund for the Outstanding Road Bonds that is not pledged to the Outstanding System Bonds or the Bonds. Funds in the Road Debt Service Fund are not available to pay principal or interest on the Outstanding System Bonds or the Bonds, and funds in the System Debt Service Fund are not available to pay principal or interest on the Outstanding Road Bonds.

Accrued interest on the Bonds and twelve (12) months of capitalized interest shall be deposited into the System Debt Service Fund. The remaining proceeds of the Bonds will be deposited into the System Construction Fund, to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Bonds and the BAN. Any monies remaining in the System Construction Fund after completion of construction of the water, sewer and drainage system will be used as permitted by the Bond Resolution and Commission rules or ultimately transferred to the System Debt Service Fund.

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On May 10, 2008, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed $1.25 per $100 of assessed valuation and a road facilities maintenance tax not to exceed $0.25 per $100 of assessed valuation. The District levied a maintenance and operations tax for 2013 at the rate of $0.31 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemption

For the 2014 tax year, the District adopted an exemption from ad valorem taxation of $5,000 of the approved value of residence homestead of individuals who are disabled or are sixty-five (65) years of age or older. To date, the District has not adopted a general residential homestead exemption. See "TAXING PROCEDURES."

Additional Penalties

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

Historical Tax Collections

The following table illustrates the collection history of the District for the 2009-2013 tax years:

Year	Assessed Valuation	Tax Rate(a)	Tax Levy	% of Collections Current Year	Tax Year Ending	% of Collections as of 06/30/2014
2008	$ 373,410	$1.10	$ 4,108	100.000%	09/30/2009	100.000%
2009	8,290,577	1.10	91,196	99.750%	09/30/2010	100.000%
2010	26,715,682	1.19	317,917	100.000%	09/30/2011	100.000%
2011	57,669,556	1.19	686,268	99.490%	09/30/2012	100.000%
2012	94,242,076	1.19	1,121,481	99.480%	09/30/2013	99.990%
2013	175,252,769	1.17	2,050,457	99.300% (b)	09/30/2014	99.300%

(a) Includes a tax for maintenance and operation purposes. See "- Tax Rate Distribution" below.
(b) As of June 30, 2014.

Tax Rate Distribution

	2013	2012	2011	2010	2009
System Debt Service	$0.40	$0.35	$0.48	$0.00	$0.00
Road Debt Service	0.46	0.44	0.31	0.00	0.00
Maintenance	0.31	0.40	0.40	1.19	1.10
	$1.17	$1.19	$1.19	$1.19	$1.10

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the 2010-2014 tax years by type of property.

	2014 Assessed Valuation	2013 Assessed Valuation	2012 Assessed Valuation	2011 Assessed Valuation	2010 Assessed Valuation
Land	$94,537,780	$47,518,000	$32,291,070	$22,441,680	$17,043,030
Improvements	271,021,120	127,871,680	62,095,330	34,952,630	9,623,400
Personal Property	3,127,174	2,411,746	1,075,809	563,474	170,452
Less: Exemptions	(8,854,468)	(2,548,657)	(1,220,133)	(288,228)	(121,200)
Total	$359,831,606	$175,252,769	$94,242,076	$57,669,556	$26,715,682

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2013:

Taxpayer	Property Type	2014
Woodforest Development, Inc. (a)	Land & Improvements	$8,771,890
Darling Homes of Texas, LLC	Land & Improvements	8,103,879
Highland Homes Houston, Ltd.	Land & Improvements	6,878,492
Lennar Homes of Texas Land & Co.	Land & Improvements	5,729,090
Newmark Homes of Houston, LLC	Land & Improvements	3,666,139
MHI Partnership, Ltd.	Land & Improvements	3,331,700
Perry Homes, LLC	Land & Improvements	2,558,990
Gracepoint Holding Company, LLC	Land & Improvements	2,529,710
Partners in Building, LP	Land & Improvements	2,360,380
Homeowner	Land & Improvements	2,359,230
Total		$46,289,500
Percent of AV		12.86%

(a) See "THE DEVELOPER AND PRINCIPAL LANDOWNER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of Taxable Assessed Valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2014 Assessed Valuation ($359,831,606), or alternatively, the Estimated Valuation as of May 1, 2014 ($429,806,007). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement on the Outstanding System Bonds and the Bonds (2015-2038)..	$1,987,951
Tax Rate of $0.59 on the 2014 Assessed Valuation at 95% collection produces...........	$2,016,856
Tax Rate of $0.49 on the Estimated Valuation as of May 1, 2014 at 95% collection produces..	$2,000,747
Projected Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the Bonds (2032)...	$2,080,819
Tax Rate of $0.61 on the 2014 Assessed Valuation at 95% collection produces...........	$2,085,224
Tax Rate of $0.51 on the Estimated Valuation as of May 1, 2014 at 95% collection produces...	$2,082,410
Average Annual Debt Service Requirement on the Outstanding Road Bonds (2015-2038)...	$ 911,584
Tax Rate of $0.27 on the 2014 Assessed Valuation at 95% collection produces...........	$ 922,968
Tax Rate of $0.23 on the Estimated Valuation as of May 1, 2014 at 95% collection produces...	$ 939,126
Maximum Annual Debt Service Requirement on the Outstanding Road Bonds (2035)...	$1,007,310
Tax Rate of $0.30 on the 2014 Assessed Valuation at 95% collection produces...........	$1,025,520
Tax Rate of $0.25 on the Estimated Valuation as of May 1, 2014 at 95% collection produces..	$1,020,789

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Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2013 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

	2013 Tax Rate Per $100 of Assessed Value	
Taxing Jurisdiction	**Conroe ISD**	**Montgomery ISD**
The District	$1.17000	$1.17000
Montgomery County	0.48380	0.48380
Montgomery County Hospital District	0.07270	0. 07270
Montgomery ISD	---	1.34000
Conroe ISD	1.28500	---
Lone Star College District	0.11600	0.11600
Montgomery County Emergency Service District No. 3	0.09540	0.09540
Estimated Total Tax Rate	$3.22290	$3.27790

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding System Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS-Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District's water and wastewater system and road system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA - Tax Rate Limitation".

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than $1,500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain household goods, wares and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development organizations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. Property owned by a disabled veteran or a veteran who died while on active duty has been granted an exemption up to $3,000 of assessed value. Partially exempt to between $5,000 and $12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or spouse or certain children. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Also exempt, if approved by the Board or through a process of petition and referendum by the District's voters, are residential homesteads of person sixty-five (65) years or older and of certain disabled persons to the extent of $3,000 of appraised value or more. For the 2014 tax year, the District has adopted an exemption of $5,000 for residential homesteads of persons sixty-five or older and of certain disabled persons. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District. Effective January 1, 2014, a partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, effective January 1, 2014, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty (20%) percent of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2012 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2013 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the MCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition of review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the MCAD to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid on or before January 31 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional 20% penalty for collection costs. A delinquent tax on personal property incurs an additional 20% penalty, 60 days after the date the taxes become delinquent (April 1). For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

District's Rights In The Event Of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - General - Tax Collections and Foreclosure Remedies."

THE SYSTEM

General

The wastewater treatment and conveyance system, the purchase, acquisition and construction of which have been financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities. According to LJA Engineering, Inc. (the "Engineer"), the design of the wastewater treatment and conveyance system has been approved by all governmental agencies, which have jurisdiction over the District.

Description of the System

- Water Supply and Distribution -

All of the District's water is provided by MSEC Enterprises, Inc. ("MSEC") which holds the Certificate of Convenience and Necessity ("CCN") for the area of the District. MSEC owns and operates 3 water plants with a total of 6 wells that serve the District, with a total capacity of 4.82 million gallons per day ("MGD"). The District has purchased sufficient water capacity to serve 1,710 equivalent single-family connections ("ESFCs") from MSEC.

- Wastewater Treatment and Conveyance System -

The District owns and operates an interim wastewater treatment plant (the "WWTP") to treat its wastewater flows. The WWTP includes a phosphorous removal system. The interim WWTP has a capacity of 0.3 MGD, which is sufficient to serve 1,500 ESFCs.

A portion of the proceeds from the Bonds will be used for the design, permitting and construction of the first phase of a permanent WWTP. According to the designs, the first phase of the permanent WWTP will have the capacity to treat 640,000 gallons per day of wastewater flows, sufficient to serve 3,200 ESFCs.

- Drainage -

Stormwater runoff from the District discharges into two watersheds, Fish Creek Tributary and Mound Creek Tributary which ultimately drain to Lake Creek.

- Roads -

The roads within the District vary in width in accordance with standards adopted by Montgomery County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

Lone Star Groundwater Conservation District

The District's water is provided by MSEC, which is included in the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"), a Montgomery County-wide regulatory agency. LSGCD has adopted a regulatory plan which requires groundwater users within Montgomery County to reduce groundwater usage by thirty-percent (30%) by January 1, 2016. In order to meet the requirements of the regulatory agency, certain areas within the LSGCD will be required to convert to surface water sources by such date. MSEC has joined the San Jacinto River Authority ("SJRA") to implement a groundwater reduction plan and treated surface water system for all of Montgomery County, including the District. As part of the SJRA groundwater reduction plan ("GRP"), MSEC has agreed to a "take-or-pay" contract for 1 million gallons of surface water per day in the initial phase of the GRP to serve its customers, including the District. It is anticipated that SJRA will begin delivering surface water in the 3rd quarter of 2015. MSEC may agree to take more surface water in the future phases of the GRP.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS - Source of Payment.") The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing industry in the Houston metropolitan area. New single-family construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Location and Access: The District is located in an outlying area of the Houston metropolitan area, approximately 38 miles northwest from the central business district of the City of Houston. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the Developer (hereinafter defined) within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "DEVELOPMENT WITHIN THE DISTRICT."

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

The competitive position of the Developer in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Developer Under No Obligation to the District: The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer and its affiliate, WPLP (hereinafter defined) (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer and WPLP will be or what effect, if any, such conditions may have on their collective and respective ability to pay taxes. See "THE DEVELOPER AND PRINCIPAL LANDOWNER" and "DEVELOPMENT WITHIN THE DISTRICT."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2014 Assessed Valuation of the District is $359,831,606, and the Estimated Assessed Value as of May 1, 2014 is $429,806,007 (see "TAX DATA"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement for the Outstanding System Bonds and the Bonds is estimated to be $2,080,819 (2032) and the Projected Average Annual Debt Service Requirement for the Outstanding System Bonds and the Bonds is estimated to be $1,987,951 (2015 through 2038, inclusive). Based on the 2014 Assessed Valuation and no use of funds on hand, a tax rate of $0.61 per $100 assessed valuation, at a 95% collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement for the Outstanding System Bonds and the Bonds of $2,080,819 and a tax rate of $0.59 per $100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement for the Outstanding System Bonds and the Bonds of $1,987,951. Assuming no increase to nor decrease from the Estimated Assessed Valuation as of May 1, 2014, of $429,806,007 and no use of funds on hand, a tax rate of $0.51 per $100 assessed valuation, at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement for the Outstanding System Bonds and the Bonds of $2,080,819 and a tax rate of $0.49 per $100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement for the Outstanding System Bonds and the Bonds of $1,987,951. The Maximum Annual Debt Service Requirement for the Outstanding Road Bonds is $1,007,310 (2035) and the Average Annual Debt Service Requirement for the Outstanding Road Bonds is $911,584 (2015 through 2037, inclusive). Based on the 2014 Assessed Valuation and no use of funds on hand, a tax rate of $0.30 per $100 assessed valuation, at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement for the Outstanding Road Bonds of $1,007,310 and a tax rate of $0.27 per $100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement for the Outstanding Road Bonds of $911,584. Assuming no increase or decrease in the Estimated Assessed Valuation as of May 1, 2014, of $429,806,007 and no use of funds on hand, a tax rate of $0.25 per $100 assessed valuation, at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement for the Outstanding Road Bonds of $1,007,310 and a tax rate of $0.23 per $100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement for the Outstanding Road Bonds of $911,584. See "PROJECTED DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Rate Calculations."

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

Limitation to Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (hereinafter defined) have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district cannot be placed into bankruptcy involuntarily.

Environmental and Air Quality Regulations

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

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

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

Air Quality/Greenhouse Gas Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was previously designated by the EPA as a moderate ozone nonattainment area. Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA "8-hour" ozone standards are met. The EPA granted the governor's request to voluntarily reclassify the HGB ozone nonattainment area from a moderate to a severe nonattainment area for the 1997 eight-hour ozone standard, effective October 31, 2008. The HGB area's new attainment deadline for the 1997 eight-hour ozone standard must be attained as expeditiously as practicable, but no later than June 15, 2019. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet EPA's standards, EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severes emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

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

Pursuant to the Safe Drinking Water Act ("SDWA"), potable (drinking) water provided by a district to more than twenty-five (25) people or fifteen (15) service connections will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load ("TMDL") of certain pollutants into the water bodies. The TMDLs that utility districts may discharge may have an impact on the utility district's ability to obtain and maintain TPDES permits.

Operations of utility districts are also potentially subject to numerous stormwater discharge permitting requirements under the CWA, EPA and TCEQ regulations. The TCEQ reissued the Texas Pollutant Discharge Elimination System Construction General Permit (TXR150000) on February 19, 2013. The permit became effective on March 5, 2013, and is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state.

The TCEQ renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on December 11, 2013. The permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems ("MS4s"). The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. MS4s who are subject to the renewed MS4 Permit must apply for authorization under the renewed MS4 Permit by June 11, 2014. It is anticipated that the District could incur substantial costs to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

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

Marketability

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

Bond Insurance Risk Factors

The Issuer has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The Issuer has yet to determine whether an insurance policy will be purchased with the Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

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

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

Neither the Issuer or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Continuing Compliance with Certain Covenants

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

Future Debt

After the issuance of the Bonds, the District will have $141,620,000 principal amount of unlimited tax bonds authorized but unissued bonds for waterworks, sanitary sewer and drainage facilities, $34,460,000 principal amount of unlimited tax road and refunding bonds authorized but unissued and $16,445,000 principal amount of unlimited tax bonds for park and recreational facilities and refunding purposes (see "THE BONDS - Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations, as described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District anticipates issuing approximately $2,000,000 to reimburse the Developer for road projects in the 3rd quarter of 2014 and submitting a bond application for the purposes of reimbursing the Developer for System and recreational projects in the 4th quarter of 2014. Upon approval from the TCEQ, such bonds would be sold in 2015.

Following the issuance of the Bonds, the District will still owe the Developer approximately $28,400,000 for the reimbursable expenditures advanced to develop land, including roads and park improvements, within the District. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor has or will the Attorney General pass upon the adequacy or accuracy of the information contained in this Official Statement.

Annexation by and Strategic Partnership with the City of Conroe

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City of Conroe (the "City"), the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city or any other city's extraterritorial jurisdiction and within two (2) miles of the corporate limits of the City. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation.

The District lies entirely within the extraterritorial jurisdiction of the City. The District and the City entered into a Strategic Partnership Agreement (the "Agreement") to establish the conditions of annexation. Under the Agreement, the City has the right to annex the District for "limited purposes," specifically for the levy of the City's sales and use tax within the District's boundaries. The limited purpose annexation shall be converted to a full purpose annexation upon the earlier of the following dates: (i) the date on which all of the debt of the District that is payable from ad valorem taxes is fully paid and the District has fully reimbursed any developers within the District in accordance with any written reimbursement agreement or (ii) 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 date or if the District has not fully reimbursed any developers within the District in accordance with any written reimbursement agreement, then the District shall become a "limited district". The "limited district" shall continue to be known as Montgomery County Municipal Utility District No. 113 and shall continue for a term not to exceed ten years or until all outstanding debt (including reimbursement obligations) of the limited district has been fully paid. 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 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 “limited district” ceases to exist 60 days after all debt is paid at which time title to all assets and improvements formerly owned by the District vests in the City.

Pursuant to the terms of the Agreement, the City has imposed its sales and use tax within the District (under the terms of the Texas Tax Code), and pays to the District an amount equal to 50% of the sales and use tax revenues reported on a monthly basis by the Comptroller. At this time, the District has no retail improvements upon which such sales tax would be imposed.

Consolidation

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law, and interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under the caption “THE DISTRICT - General,” “THE BONDS,” “TAXING PROCEDURES,” “LEGAL MATTERS – Legal Proceedings,” “TAX MATTERS”, and “CONTINUING DISCLOSURE,” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attaching the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds.

TAX MATTERS

In the opinion of The Muller Law Group, PLLC, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor, and the Underwriter, with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a twenty percent (20%) alternative minimum tax on the "alternative minimum taxable income" of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than an S corporation, regulated investment company, REIT, REMIC or FASIT) includes seventy-five percent (75%) of the amount by which a corporation's "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of, the Bonds.

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

The initial offering price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the stated redemption price at maturity. In such case, under existing law and based upon assumptions hereinafter stated,, (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond, and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original initial offering Issue Discount Bond in the hands of an owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "Tax Matters" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing discussion assumes, in reliance upon certain representations of the Underwriter, that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the respective initial offering price thereof stated on the cover page of this Official Statement. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions. Certain of the representations of the Underwriter will be based upon records or facts the Underwriter had no reason to believe were not correct.

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

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

Tax Accounting Treatment of Original Issue Premium Bonds

Some of the Bonds may be offered at an initial offering price which exceeds the stated redemption price payable at maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, broker and similar persons or entities acting in the capacity of wholesales or underwriters) at such initial offering price, each of the Bonds of such maturity (the "Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchasers original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of the Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

Not Qualified Tax-Exempt Obligations

The District has **NOT** designated the Bonds as "qualified tax-exempt obligations."

CONTINUING DISCLOSURE

In the Bond Resolution, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT FINANCIAL DATA" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2014. The District will provide the updated information to EMMA.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within a six month period. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

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

Material Event Notices

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

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

OFFICIAL STATEMENT

Preparation

The information in this Official Statement has been obtained from sources as set forth herein under the following captions:

> "THE DISTRICT" and "THE SYSTEM," – LJA Engineering, Inc. ("Engineer"); "THE DEVELOPER AND PRINCIPAL LANDOWNER," and "DEVELOPMENT WITHIN THE DISTRICT" - the Developer; "TAX DATA – Estimated Overlapping Debt Statement" – Municipal Advisory Council of Texas; "TAX DATA" – Assessments of the Southwest, Inc." and "INVESTMENT CONSIDERATIONS – Annexation by and Strategic Partnership Agreement with City of Conroe", "THE BONDS", "CONTINUING DISCLOSURE", "TAXING PROCEDURES", "LEGAL MATTERS" and "TAX MATTERS" – The Muller Law Group, PLLC.

Experts

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor.

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

> *Tax Assessor/Collector and Appraisal District:* The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "TAX DATA" has been provided by the Assessments of the Southwest, Inc. and Montgomery Central Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

Updating the Official Statement

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

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity, in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Official Statement "Deemed Final"

For purposes of compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein, "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "FINAL OFFICIAL STATEMENT" of the District with respect to the Bonds, as that term is defined in Rule 15c2-12.

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility No. 113, as of the date shown on the first page hereof.

/s/ ____
David Garrett
President, Board of Directors
Montgomery County Municipal Utility District No. 113

ATTEST:

/s/ ____
Jeffrey Nielsen
Secretary, Board of Directors
Montgomery County Municipal Utility District No. 113

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 113

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2013

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Certified Public Accountants
P.O. Box 270148
Houston, Texas 77277

Mark W. McGrath CPA
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Colette M. Garcia CPA
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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 Montgomery County Municipal Utility District No. 113, as of and for the year ended May 31, 2013, which collectively comprise the basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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, 2013, 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 1 to the financial statements, the District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of May 31, 2013. 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.

McGrath & Co, PLLC

Houston, Texas
September 13, 2013

Management's Discussion and Analysis

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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, 2013. 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).

Implementation of New Accounting Pronouncements

During the current fiscal year, the District implemented Governmental Accounting Standards Board (GASB) Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. In the past, financial statement preparers of governmental entities had to consult a variety of resources to determine relevant GAAP in certain circumstances. GASB 62 simplifies this research by codifying relevant FASB and AICPA guidance in one standard. The implementation of GASB 62 has no effect on the District's financial statements.

The District also implemented GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 adds the new financial statement elements, "deferred inflows of financial resources" and "deferred outflows of financial resources," to the statement of financial position and reports "net position" instead of "net assets." A deferred outflow is the consumption of resources in one period that is applicable to a future period, while a deferred inflow is the acquisition of resources in one period that is applicable to a future period.

The District elected to early implement GASB Statement 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2013. As discussed in the preceding paragraph, GASB 63 added new elements to the statements of financial position; however, guidance was needed to identify which balances should be reported as deferred inflows of resources or deferred outflows of resources. GASB 65 addresses that need and identifies the items to be reported as deferred inflows or outflows. GASB 65 also reclassified bond issuance costs (other than prepaid insurance) as an expense when incurred. Previously bond issuance costs were deferred and amortized to expense over the life of the bonds. GASB 65 requires retroactive adoption and, as a result, the District has restated beginning net position on the *Statement of Net Position* for bond issuance costs previously deferred (see Note 9). Comparative data for 2012 has also been restated.

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. 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

In the government-wide statements, net position is the residual of assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The District's net position at May 31, 2013, was negative $7,706,077.

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.

A comparative summary of the District's overall financial position, as of May 31, 2013 and 2012, is as follows:

	2013	2012
Current and other assets	$ 2,117,947	$ 2,168,588
Capital assets	19,684,559	13,981,847
Total assets	21,802,506	16,150,435
Current liabilities	3,827,291	155,806
Long-term liabilities	25,681,292	22,027,485
Total liabilities	29,508,583	22,183,291
Net position		
Net investment in capital assets	(6,310,765)	(4,070,503)
Restricted	1,161,802	800,814
Unrestricted	(2,557,114)	(2,763,167)
Total net position	$ (7,706,077)	$ (6,032,856)

As a result of the implementation of GASB 65, prior year amounts for current and other assets, net investment in capital assets and unrestricted net position been restated (see Note 9).

The total net position of the District decreased by $1,673,221. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2013	2012
Revenues		
Property taxes, penalties and interest	$ 1,126,311	$ 688,163
Sewer	261,073	118,301
Other	74,665	43,865
Total revenues	1,462,049	850,329
Expenses		
Current service operations	725,805	612,973
Interest and fees	921,314	530,857
Debt issuance costs	286,724	143,511
Depreciation	652,601	462,439
Intergovernmental	450,000	
Total expenses	3,036,444	1,749,780
Change in net position before other item	(1,574,395)	(899,451)
Other Item		
Transfers to other governments	(98,826)	
Change in net position	(1,673,221)	(899,451)
Net position, beginning of year	(6,032,856)	(5,133,405)
Net position, end of year	$ (7,706,077)	$ (6,032,856)

As a result of the implementation of GASB 65, prior year amounts for interest and fees, debt issuance costs, depreciation, beginning net position and ending net position and current year amounts for beginning net position have been restated.

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2013, were $2,056,033, which consists of $308,746 in the General Fund, $1,310,870 in the Debt Service Fund and $436,417 in the Capital Projects Fund.

General Fund

Comparative summaries of the General Fund's financial position and activities for the current and prior fiscal year are as follows:

	2013	2012
Total assets	$ 363,369	$ 126,445
Total liabilities	$ 50,932	$ 37,048
Total deferred inflows	3,691	2,397
Total fund balance	308,746	87,000
Total liabilities, deferred inflows and fund balance	$ 363,369	$ 126,445
Total revenues	$ 707,365	$ 385,285
Total expenditures	(628,451)	(570,078)
Revenues over/(under) expenditures	78,914	(184,793)
Net other financing sources	142,832	175,664
Net change in fund balance	$ 221,746	$ (9,129)

Debt Service Fund

Comparative summaries of the financial position and activities of the Debt Service Fund for the current and prior fiscal year are as follows:

	2013	2012
Total assets	$ 1,318,161	$ 919,572
Total deferred inflows	$ 7,291	$ 4,734
Total fund balance	1,310,870	914,838
Total deferred inflows and fund balance	$ 1,318,161	$ 919,572
Total revenues	$ 758,594	$ 461,074
Total expenditures	(572,256)	(447,636)
Revenues over expenditures	186,338	13,438
Net other financing sources	209,694	110,169
Net change in fund balance	$ 396,032	$ 123,607

Fund balance in the Debt Service Fund increased during the current and prior year as a result of capitalized interest received with the issuance of bonds, as well as property tax revenues exceeding debt service requirements. 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 and activities for the current and prior fiscal year are as follows:

	2013	2012
Total assets	$ 436,417	$ 1,122,571
Total fund balance	$ 436,417	$ 1,122,571
Total revenues	$ 1,170	$ 3,217
Total expenditures	(6,798,494)	(1,366,984)
Revenues under expenditures	(6,797,324)	(1,363,767)
Net other financing sources/(uses)	6,111,170	1,502,785
Net change in fund balance	$ (686,154)	$ 139,018

The District has had considerable capital asset activity in the last couple of years. Series 2012 bonds in the amount of $1,765,000 were issued in the previous fiscal year, while in the current year the District issued $3,700,000 in road bonds, as well as a $3,430,000 bond anticipation note. The District has unspent proceeds of $436,417 as of May 31, 2013.

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 $150,242 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

Capital assets held by the District at May 31, 2013 and 2012 are summarized as follows:

	2013	2012
Capital assets not being depreciated		
Land and improvements	$ 298,099	$ 298,099
Capital assets being depreciated		
Infrastructure	20,212,304	14,137,147
Parks and recreational facilities	1,102,096	821,940
	21,314,400	14,959,087
Less accumulated depreciation		
Infrastructure	(1,770,156)	(1,171,938)
Parks and recreational facilities	(157,784)	(103,401)
	(1,927,940)	(1,275,339)
Depreciable capital assets, net	19,386,460	13,683,748
Capital assets, net	$ 19,684,559	$ 13,981,847

The District completed construction of the following during the current year

- Woodforest Lift Station No. 3, phase 1
- Woodforest Parkway North, sections 1-11
- Woodforest Sections 10, 11, 17, 19 and 18 drainage and sewage facilities
- Woodforest Parkway North paving and appurtenances (Overland Trace Drive to Elk Trace Parkway)
- Woodforest Lift Station No. 2, phase 1
- Forest Island paving
- Kinderwood Park

As discussed in Note 7, the District has contractual commitments in the amount of $10,904,526 for construction of water, sewer, drainage, recreational and road facilities. The District will owe its developer for these projects upon completion of construction.

Long-Term Debt

At May 31, 2013 and 2012, the District had total bonded debt outstanding as shown below:

Series	2013	2012
2010	$ 3,700,000	$ 3,700,000
2011 Road	3,590,000	3,590,000
2012	1,765,000	1,765,000
2012 Road	3,700,000	
	$ 12,755,000	$ 9,055,000

During the year, the District issued $3,700,000 in unlimited tax bonds for road facilities. At May 31, 2013, the District had $164,755,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; $16,445,000 for parks and recreational facilities and $40,110,000 for road improvements.

During the year, the District issued a $3,430,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The District repaid this BAN subsequent to year end with proceeds from the issuance of long-term debt. See Notes 6 and 16 for additional information.

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:

	2013 Actual	2014 Budget
Total revenues	$ 707,365	$ 1,152,500
Total expenditures	(628,451)	(569,090)
Revenues over expenditures	78,914	583,410
Net other financing sources	142,832	
Net change in fund balance	221,746	583,410
Beginning fund balance	87,000	308,746
Ending fund balance	$ 308,746	$ 892,156

Property Taxes

The District's property tax base increased approximately $80,836,000 for the 2013 tax year from $94,242,076 to $175,078,387. This increase was primarily due to new construction in the District.

Basic Financial Statements

Montgomery County Municipal Utility District No. 113
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	$ 325,857	$ 1,308,085	$ 436,417	$ 2,070,359
Taxes receivable	3,691	7,291		10,982
Customer service receivables	7,115			7,115
Due from operator	25,494			25,494
Internal balances	(2,785)	2,785		
Prepaid items	3,997			3,997
Capital assets not being depreciated				
Capital assets, net of depreciation				
Total Assets	$ 363,369	$ 1,318,161	$ 436,417	$ 2,117,947
Liabilities				
Accounts payable	$ 50,932	$ -	$ -	$ 50,932
Accrued interest payable				
Bond anticipation note payable				
Due to developer				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	50,932			50,932
Deferred Inflows of Resources				
Deferred revenues	3,691	7,291		10,982
Fund Balances/Net Position				
Fund Balances				
Nonspendable	3,997			3,997
Restricted		1,310,870	436,417	1,747,287
Unassigned	304,749			304,749
Total Fund Balances	308,746	1,310,870	436,417	2,056,033
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 363,369	$ 1,318,161	$ 436,417	$ 2,117,947
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

Adjustments	Statement of Net Position
$ -	2,070,359
	10,982
	7,115
	25,494
	3,997
298,099	298,099
19,386,460	19,386,460
19,684,559	21,802,506
	50,932
156,359	156,359
3,430,000	3,430,000
13,423,203	13,423,203
190,000	190,000
12,258,089	12,258,089
29,457,651	29,508,583
(10,982)	
(3,997)	
(1,747,287)	
(304,749)	
(2,056,033)	
(6,310,765)	(6,310,765)
1,161,802	1,161,802
(2,557,114)	(2,557,114)
$ (7,706,077)	$ (7,706,077)

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, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Sewer service	$ 261,073	$ -	$ -	$ 261,073
Property taxes	375,674	741,957		1,117,631
Penalties and interest		4,829		4,829
Tap connection and inspection	64,550			64,550
Accrued interest on bonds at date of sale		8,931		8,931
Miscellaneous	5,926			5,926
Investment earnings	142	2,877	1,170	4,189
Total Revenues	707,365	758,594	1,170	1,467,129
Expenditures/Expenses				
Current service operations				
Professional fees	147,012		95,904	242,916
Contracted services	171,133	15,092		186,225
Repairs and maintenance	111,540			111,540
Utilities	41,714			41,714
Leases	105,650		-	105,650
Administrative	30,827	1,408		32,235
Other	5,525			5,525
Capital outlay	15,050		5,642,202	5,657,252
Debt service				
Interest and fees		555,756	323,664	879,420
Debt issuance costs			286,724	286,724
Depreciation and amortization				
Intergovernmental				
Capital outlay			450,000	450,000
Total Expenditures/Expenses	628,451	572,256	6,798,494	7,999,201
Revenues Over (Under) Expenditures/Expenses	78,914	186,338	(6,797,324)	(6,532,072)
Other Financing Sources/(Uses)				
Proceeds from sale of bonds		209,694	3,490,306	3,700,000
Bond discount			(92,500)	(92,500)
Proceeds from bond anticipation note			3,430,000	3,430,000
Developer advances	125,000		26,000	151,000
Repayment of developer advances			(724,804)	(724,804)
Internal transfer	17,832		(17,832)	
Other Item				
Transfers to other governments				
Net Change in Fund Balances	221,746	396,032	(686,154)	(68,376)
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year (restated Note 9)	87,000	914,838	1,122,571	2,124,409
End of the year	$ 308,746	$ 1,310,870	$ 436,417	$ 2,056,033

See notes to basic financial statements.

Adjustments	Statement of Activities
$ -	261,073
3,851	1,121,482
	4,829
	64,550
(8,931)	
	5,926
	4,189
(5,080)	1,462,049
	242,916
	186,225
	111,540
	41,714
	105,650
	32,235
	5,525
(5,657,252)	
41,894	921,314
	286,724
652,601	652,601
	450,000
(4,962,757)	3,036,444
4,957,677	(1,574,395)
(3,700,000)	
92,500	
(3,430,000)	
(151,000)	
724,804	
(98,826)	(98,826)
68,376	
(1,673,221)	(1,673,221)
(8,157,265)	(6,032,856)
$ (9,762,110)	$ (7,706,077)

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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 23, 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 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 water, sewer and drainage 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. At May 31, 2013, 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, which primarily consist of infrastructure (i.e., wastewater and drainage facilities) and parks and recreational facilities, are reported in the government-wide financial 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. Capital assets are depreciated the straight-line method as follows:

Assets	Useful Life
Infrastructure	20-45 years
Parks and recreation	15-40 years

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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.

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 collectibility of receivables; the value of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Standards

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result of the implementation of GASB 63, the *Statement of Net Assets* has been renamed the *Statement of Net Position.* GASB 63 provides guidance on reporting deferred inflows of resources, deferred outflows of resources and net position in a statement of financial position. Deferred outflows and deferred inflows are the result of the consumption or acquisition, respectively, of net assets in one period that is applicable to future periods. The District adopted this statement for the 2013 fiscal year.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities,* which is effective for periods beginning after December 15, 2012; however, the District elected to early implement GASB 65 in the current fiscal year. This statement identifies the financial statement items that are to be reported as deferred outflows of resources and deferred inflows of resources. The District does not have any deferred outflows. Deferred inflows in the *Governmental Funds Balance Sheet* consist of the unavailable portion of property taxes receivable. The District does not have any deferred inflows in the *Statement of Net Position*.

GASB 65 also requires that bond issuance costs be expensed when incurred. Previous guidance required these costs to be deferred and amortized in a systematic and rational manner. GASB 65 required retroactive implementation. Consequently, beginning net position has been restated (see Note 9 for additional information).

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		$ 2,056,033
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 21,612,499	
Less accumulated depreciation	(1,927,940)	
Change due to capital assets		19,684,559
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		10,982
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	(12,448,089)	
Bond anticipation note payable	(3,430,000)	
Interest payable	(156,359)	
Change due to long-term debt		(16,034,448)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position.*		(13,423,203)
Total net position - governmental activities		$ (7,706,077)

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		$ (68,376)
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.		3,851
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Act ivities,* the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	$ 5,657,252	
Depreciation expense	(652,601)	
		5,004,651
The District conveys certain infrastructure to Montgomery County upon completion of construction. In the *Statement of Activities,* these amounts are reported as transfers to other governments		(98,826)
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.		
Issuance of long term debt	(3,700,000)	
Proceeds from issuance of bond anticipation note	(3,430,000)	
Bond discount	92,500	
Interest expense accrual	(50,825)	
		(7,088,325)
Amounts received from or repaid to the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the *Statement of Net Position.*		
Developer advances	(151,000)	
Repayment of developer advances	724,804	
		573,804
Change in net position of governmental activities		$ (1,673,221)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) 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.

Investment Authority

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (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) insured or collateralized certificates of deposit, (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.

Note 4 – Amounts Due to/from Other Funds

Amounts due to/from other funds at May 31, 2013, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	$ -	$ 2,785
Debt Service Fund	2,785	
	$ 2,785	$ 2,785

Amounts reported as due to/from between funds are considered temporary loans needed for normal operations and will be repaid during the following fiscal year.

Note 4 – Amounts Due to/from Other Funds (continued)

During the current fiscal year, the District transferred $17,832 from the Capital Projects Fund to the General Fund for lease expenditures.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2013, follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 298,099	$ -	$ 298,099
Capital assets being depreciated			
Infrastructure	14,137,147	6,075,157	20,212,304
Parks and recreational facilities	821,940	280,156	1,102,096
	14,959,087	6,355,313	21,314,400
Less accumulated depreciation			
Infrastructure	(1,171,938)	(598,218)	(1,770,156)
Parks and recreational facilities	(103,401)	(54,383)	(157,784)
	(1,275,339)	(652,601)	(1,927,940)
Subtotal depreciable capital assets, net	13,683,748	5,702,712	19,386,460
Capital assets, net	$ 13,981,847	$ 5,702,712	$ 19,684,559

Depreciation expense for the current year was $652,601.

Note 6 – Bond Anticipation Note

On November 16, 2012, the District issued a $3,430,000 bond anticipation note (BAN) to provide short term financing for reimbursing its developer for operating advances and the construction of capital assets within the District. BAN proceeds were also used for the purchase of a wastewater treatment plant. This BAN carries interest at 1.085% and is due on November 15, 2013. 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.

As discussed in Note 16, the District paid this BAN on August 22, 2013 with proceeds from the issuance of its Series 2013 unlimited tax bonds.

The effect of this transaction on the District's short term obligations is as follows:

Beginning balance	$ -
Amounts borrowed	3,430,000
Ending balance	$ 3,430,000

Note 7 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer and drainage facilities. 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. 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 developer, beginning of year	$ 13,200,021
Developer reimbursements	(5,048,306)
New developer funded construction	5,845,292
Operating advances from developer	151,000
Repayment of developer advances	(724,804)
Due to developer, end of year	$ 13,423,203

Note 7 – Due to Developers (continued)

In addition, the District will owe the developer approximately $10,904,526, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and audited 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 Section 20, sewer and drainage	$ 675,250	$ 497,961	$ 177,289
Woodforest Section 21, sewer and drainage	374,014	278,491	95,523
Forest Heights - Ditch 1F, clearing and grubbing	68,040		68,040
Forest Island Park, Phase 1	652,770	539,679	113,091
Woodforest Section 16, sewer and drainage	132,531	74,897	57,634
Woodforest Section 24, sewer and drainage	555,555	412,879	142,676
Woodforest Section 27, sewer and drainage	500,583	385,055	115,528
Woodforest Section 23, sewer and drainage	775,390	663,372	112,018
Kinderwood Ditch (Ditch 6A-1)	876,737	731,317	145,420
Forest Island Park, arrival and restroom building	409,832	211,748	198,084
Woodforest Section 28 and 31, sewer and drainage	607,871	382,511	225,360
Woodforest Section 29 and Forest Heights Ditch	1,243,237	586,179	657,058
Woodforest Section 25, sewer and drainage	225,735		225,735
Woodforest Section 30, sewer and drainage	612,776		612,776
Woodforest Section 32 and 33, sewer and drainage	639,418	408,709	230,709
Woodforest Section 34 and Woodforest Parkway South and Kinderwood Trail Extension	755,371	263,867	491,504
Woodforest Section 37 and 38, sewer and drainage	343,007		343,007
Woodforest Parkway West paving and appurtenances	233,935		233,935
Woodforest Parkway South and Kinderwood Trail extension paving and appurtenances	709,979		709,979
Woodforest Parkway West, sewer and drainage	512,495		512,495
	$10,904,526	$ 5,436,665	$ 5,467,861

Note 8 – Long–Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 12,755,000
Unamortized discounts	(306,911)
	$ 12,448,089
Due within one year	$ 190,000

Note 8 – Long–Term Debt (continued)

The District's bonds payable at May 31, 2013, 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	$ 3,700,000	$ 3,700,000	4.00% to 6.25%	September 1, 2013 - 2035	March 1, September 1	September 1, 2018
2011 Road	3,590,000	3,590,000	3.50% to 6.00%	September 1, 2013 - 2035	March 1, September 1	September 1, 2018
2012	1,765,000	1,765,000	3.00% to 5.00%	September 1, 2013 - 2036	March 1, September 1	September 1, 2019
2012 Road	3,700,000	3,700,000	2.50% to 4.20%	September 1, 2014 - 2036	March 1, September 1	September 1, 2019
	$ 12,755,000					

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.

At May 31, 2013, the District had authorized but unissued bonds in the amount of $164,755,000 for water, sewer and drainage facilities; $16,445,000 for park and recreational facilities; and $40,110,000 for road improvements.

On July 24, 2012, the District issued its $3,700,000 Series 2012 Unlimited Tax Road Improvement Bonds at a net effective interest rate of 4.157663% to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	$ 9,055,000
Bonds issued	3,700,000
Bonds payable, end of year	$ 12,755,000

Note 8 – Long–Term Debt (continued)

As of May 31, 2013, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2014	$ 190,000	$ 596,442	$ 786,442
2015	285,000	587,618	872,618
2016	305,000	577,267	882,267
2017	320,000	566,493	886,493
2018	340,000	555,442	895,442
2019	355,000	543,683	898,683
2020	375,000	530,528	905,528
2021	400,000	515,608	915,608
2022	420,000	498,936	918,936
2023	445,000	480,691	925,691
2024	470,000	460,804	930,804
2025	505,000	438,936	943,936
2026	535,000	414,891	949,891
2027	560,000	388,927	948,927
2028	600,000	360,754	960,754
2029	635,000	330,227	965,227
2030	670,000	297,522	967,522
2031	705,000	262,060	967,060
2032	755,000	223,691	978,691
2033	800,000	182,791	982,791
2034	840,000	139,116	979,116
2035	895,000	92,423	987,423
2036	950,000	42,769	992,769
2037	400,000	8,594	408,594
	$ 12,755,000	$ 9,096,215	$ 21,851,215

Note 9 – Prior Period Adjustment

As discussed in Note 1, the District early implemented GASB 65 during the current fiscal year. Under previous guidance, bond issuance costs were deferred and charged to expense over the life of the bonds. Under GASB 65, these costs are to be expensed as incurred. The unamortized balance of bond issuance costs at the beginning of the current fiscal year was $541,050. GASB 65 requires that any accounting change from the implementation of this standard be applied retroactively by restating beginning net position on the *Statement of Activities.* The effect of restatement on beginning net position is as follows.

Beginning net position, as reported	$ (5,491,806)
Change due to implementation of GASB 65	(541,050)
Beginning net position, restated	$ (6,032,856)

Note 10 – Property Taxes

On May 16, 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 use 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 Central 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.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2013 fiscal year was financed through the 2012 tax levy. The District levied property taxes of $1.19 per $100 of assessed value, of which $0.40 was allocated to maintenance and operations, $0.35 was allocated to water, sewer and drainage debt service and $0.44 was allocated to road debt service. The resulting tax levy was $1,121,481 on the adjusted taxable value of $94,242,076.

Note 11 – Agreement with Montgomery County

In August 2006, the District's developer entered into a road improvement agreement, which was subsequently assigned to the District, with Montgomery County, Texas for the extension of Fish Creek Boulevard for the benefit of both parties. The project included a bridge over Lake Creek, the interchange at F.M. 2854 and the reworking of the existing roadway to conform to County standards. Pursuant to the terms of the agreement, costs for the project are shared between the District and the County. The completed project is owned by the County. The District paid $450,000 to the County pursuant to this agreement. Since the road will belong to the County, additional costs paid by the District's developer in the amount of $98,826 have been recorded as transfers to other governments in the *Statement of Activities*.

Note 12 – Lease Agreements

Interim Wastewater Treatment Equipment

On February 18, 2008, the District entered into a lease agreement for a temporary wastewater treatment plant. The term of the original lease was for 60 months, unless otherwise terminated. The lease was amended on June 1, 2009 with a term of fifty-nine months commencing January 1, 2010. The District paid reduced monthly rent charges of $2,500 per month from June 1, 2009, through December 31, 2009. Thereafter, monthly lease payments are $11,500, with an option to purchase the equipment at the end of the lease. During the current fiscal year, the District terminated the lease and opted to purchase the wastewater treatment equipment. The total lease payments made for the fiscal year ended May 31, 2013, was $80,500.

Note 12 – Lease Agreements (continued)

Interim Phosphorus Removal Equipment

On May 16, 2008, the District entered into a lease agreement for interim phosphorus removal equipment. The term of the original lease was for 60 months, unless otherwise terminated. The lease was amended on June 1, 2009 for a term of fifty-nine months commencing January 1, 2010. The District paid reduced monthly rent charges of $2,500 per month from June 1, 2009, through December 31, 2009. Thereafter, monthly lease payments are $3,550, with an option to purchase the equipment at the end of the lease. During the current fiscal year, the District opted to terminate the lease and purchase the phosphorus removal equipment. The total cost for this lease for the fiscal year ended May 31, 2013, was $24,850.

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.

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 any developers 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 developers 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 14 –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.

The District is responsible for the design and construction of the wastewater treatment facilities within the District. The District has contracted with MSEC, which can be terminated, to operate the system on behalf of the District. MSEC bills customers residing within the District for sewer service based on rates set by the District in its rate order and will remit collections to the District. As of May 31, 2013, MSEC had $25,494 collected but not yet remitted to the District.

Note 15 – 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 16 – Subsequent Event

On August 22, 2013, the District issued its $5,935,000 Series 2013 Unlimited Tax Bonds at a net effective rate of 4.867347%. Proceeds from the bonds were used to reimburse the District's developer for infrastructure improvements and to repay the District's $3,430,000 BAN.

Required Supplementary Information

Montgomery County Municipal Utility District No. 113
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Sewer service	$ 100,000	$ 100,000	$ 261,073	$ 161,073
Property taxes	375,000	375,000	375,674	674
Tap connection and inspection	55,000	55,000	64,550	9,550
Miscellaneous			5,926	5,926
Investment earnings			142	142
Total Revenues	530,000	530,000	707,365	177,365
Expenditures				
Current service operations				
Professional fees	105,000	105,000	147,012	(42,012)
Contracted services	103,000	103,000	171,133	(68,133)
Repairs and maintenance	65,000	65,000	111,540	(46,540)
Utilities	35,000	35,000	41,714	(6,714)
Leases	144,936	84,546	105,650	(21,104)
Administrative	28,450	28,450	30,827	(2,377)
Other	37,500	37,500	5,525	31,975
Capital outlay			15,050	(15,050)
Total Expenditures	518,886	458,496	628,451	(169,955)
Revenues Over Expenditures	11,114	71,504	78,914	7,410
Other Financing Sources				
Developer advances			125,000	125,000
Internal transfers			17,832	17,832
Net Change in Fund Balance	11,114	71,504	221,746	150,242
Fund Balance				
Beginning of the year	87,000	87,000	87,000	
End of the year	$ 98,114	$ 158,504	$ 308,746	$ 150,242

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 reduce lease payment expense.

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Texas Supplementary Information

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Montgomery County Municipal Utility District No. 113
TSI-1. Services and Rates
May 31, 2013

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

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

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

[X] Other (Specify): Retail water supplied by MSEC Enterprises

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):

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

District employs winter averaging for wastewater usage? [ ] Yes [X] No

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

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
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	768	768	x 1.0	768

See accompanying auditor's report.

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
   (You may omit this information if your district does not provide water)

Gallons pumped into system:	N/A	Water Accountability Ratio: (Gallons billed / Gallons pumped)	
Gallons billed to customers:	N/A	N/A	

4. Standby Fees (authorized only under TWC Section 49.231):
   (You may omit this information if your district does not levy standby fees)

   Does the District have Debt Service standby fees? Yes [ ] No [X]

   If yes, Date of the most recent commission Order: ______

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

   If yes, Date of the most recent commission Order: ______

5. Location of District (required for first audit year or when information changes, otherwise this information may be omitted):

   Is the District located entirely within one county? Yes [X] No [ ]

   County(ies) in which the District is located: Montgomery County

   Is the District located within a city? Entirely [ ] Partly [ ] Not at all [X]

   City(ies) in which the District is located: ______

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

   Entirely [X] Partly [ ] Not at all [ ]

   ETJs in which the District is located: City of Conroe

   Are Board members appointed by an office outside the district? Yes [ ] No [X]

   If Yes, by whom? ______

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-2 General Fund Expenditures
For the Year Ended May 31, 2013

Professional fees		
Legal	$	108,121
Audit		10,500
Engineering		28,391
		147,012
Contracted services		
Bookkeeping		13,775
Operator		21,319
Garbage collection		89,664
Tap connection and inspection		46,375
		171,133
Repairs and maintenance		111,540
Utilities		41,714
Leases		105,650
Administrative		
Directors fees		7,200
Printing and office supplies		6,836
Insurance		14,430
Other		2,361
		30,827
Other		5,525
Capital outlay		15,050
Total expenditures	$	628,451

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	340,057	$ 41,714

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-4. Taxes Levied and Receivable
May 31, 2013

	Maintenance Taxes	W - S - D Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 2,397	$ 2,877	$ 1,857	$ 7,131
2012 Original Tax Levy	376,995	329,871	414,695	1,121,561
Adjustments	(26)	(24)	(27)	(77)
Adjusted Tax Levy	376,969	329,847	414,668	1,121,484
Total to be accounted for	379,366	332,724	416,525	1,128,615
Tax collections:				
Current year	373,278	326,618	410,606	1,110,502
Prior years	2,397	2,877	1,858	7,132
Total Collections	375,675	329,495	412,464	1,117,634
Taxes Receivable, End of Year	$ 3,691	$ 3,229	$ 4,062	$ 10,982
Taxes Receivable, By Years				
2012	$ 3,691	$ 3,229	$ 4,062	$ 10,982

	2012	2011	2010	2009
Property Valuations:				
Land	$ 32,291,070	$ 22,441,680	$ 17,043,030	$ 8,524,790
Improvements	62,095,330	34,952,630	9,623,400	910,720
Personal Property	1,075,809	563,474	170,452	91,967
Exemptions	(1,220,133)	(288,228)	(121,200)	(1,236,900)
Total Property Valuations	$ 94,242,076	$ 57,669,556	$ 26,715,682	$ 8,290,577
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.40	$ 0.40	$ 1.19	$ 1.10
Road debt service tax rates	0.44	0.31		
Water, Sewer and Drainage debt service tax rates	0.35	0.48		
	$ 1.19	$ 1.19	$ 1.19	$ 1.10
Adjusted Tax Levy:	$ 1,121,481	$ 686,268	$ 317,917	$ 91,196
Percentage of Taxes Collected to Taxes Levied **	99.02%	100.00%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.25 on May 16, 2008
* Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on May 16, 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, 2013

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2014	$ 80,000	$ 198,319	$ 278,319
2015	85,000	195,019	280,019
2016	90,000	191,519	281,519
2017	95,000	187,819	282,819
2018	100,000	183,919	283,919
2019	105,000	179,688	284,688
2020	110,000	174,981	284,981
2021	120,000	169,656	289,656
2022	125,000	163,681	288,681
2023	130,000	157,306	287,306
2024	140,000	150,556	290,556
2025	150,000	143,213	293,213
2026	160,000	135,169	295,169
2027	165,000	126,534	291,534
2028	180,000	117,150	297,150
2029	190,000	106,975	296,975
2030	200,000	96,125	296,125
2031	210,000	84,200	294,200
2032	225,000	71,150	296,150
2033	240,000	57,200	297,200
2034	250,000	42,187	292,187
2035	265,000	26,094	291,094
2036	285,000	8,906	293,906
	$ 3,700,000	$ 2,967,366	$ 6,667,366

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, 2013

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2014	$ 75,000	$ 185,756	$ 260,756
2015	80,000	183,044	263,044
2016	85,000	180,156	265,156
2017	90,000	177,094	267,094
2018	95,000	173,856	268,856
2019	100,000	170,319	270,319
2020	105,000	166,344	271,344
2021	115,000	161,829	276,829
2022	120,000	156,774	276,774
2023	125,000	151,259	276,259
2024	135,000	145,144	280,144
2025	145,000	138,279	283,279
2026	155,000	130,701	285,701
2027	160,000	122,509	282,509
2028	170,000	113,594	283,594
2029	185,000	103,716	288,716
2030	195,000	92,906	287,906
2031	205,000	81,150	286,150
2032	220,000	68,400	288,400
2033	235,000	54,749	289,749
2034	250,000	40,199	290,199
2035	265,000	24,750	289,750
2036	280,000	8,400	288,400
	$ 3,590,000	$ 2,830,928	$ 6,420,928

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-5. Long-Term Debt Service Requirements
Series 2012--by Years
May 31, 2013

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2014	$ 35,000	$ 72,571	$ 107,571
2015	35,000	70,821	105,821
2016	40,000	69,046	109,046
2017	40,000	67,346	107,346
2018	45,000	65,871	110,871
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	2,925	132,925
	$ 1,765,000	$ 1,108,485	$ 2,873,485

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, 2013

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2014	$ -	$ 139,796	$ 139,796
2015	85,000	138,734	223,734
2016	90,000	136,546	226,546
2017	95,000	134,234	229,234
2018	100,000	131,796	231,796
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
	$ 3,700,000	$ 2,189,436	$ 5,889,436

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, 2013

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2014	$ 190,000	$ 596,442	$ 786,442
2015	285,000	587,618	872,618
2016	305,000	577,267	882,267
2017	320,000	566,493	886,493
2018	340,000	555,442	895,442
2019	355,000	543,683	898,683
2020	375,000	530,528	905,528
2021	400,000	515,608	915,608
2022	420,000	498,936	918,936
2023	445,000	480,691	925,691
2024	470,000	460,804	930,804
2025	505,000	438,936	943,936
2026	535,000	414,891	949,891
2027	560,000	388,927	948,927
2028	600,000	360,754	960,754
2029	635,000	330,227	965,227
2030	670,000	297,522	967,522
2031	705,000	262,060	967,060
2032	755,000	223,691	978,691
2033	800,000	182,791	982,791
2034	840,000	139,116	979,116
2035	895,000	92,423	987,423
2036	950,000	42,769	992,769
2037	400,000	8,594	408,594
	$ 12,755,000	$ 9,096,215	$ 21,851,215

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 113
TSI-6. Change in Long-Term Bonded Debt
May 31, 2013

	Bond Issues			
	Series 2010	Series 2011 Road	Series 2012	Series 2012 Road
Interest rate	4.00% - 6.25%	3.50% - 6.00%	3.00% - 5.00%	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 to 9/1/35	9/1/13 to 9/1/35	9/1/13 to 9/1/36	9/1/14 to 9/1/36
Beginning bonds outstanding	$ 3,700,000	$ 3,590,000	$ 1,765,000	$ -
Bonds issued				3,700,000
Bonds retired				
Ending bonds outstanding	$ 3,700,000	$ 3,590,000	$ 1,765,000	$ 3,700,000
Interest paid during fiscal year	$ 199,918	$ 187,069	$ 73,446	$ 93,198

Paying agent's name and city	
Series 2010 & 2011 Road	Wells Fargo Bank, N.A., Houston, TX
Series 2012 & 2012 Road	Regions Bank, Houston, TX

Bond Authority:	Water, Sewer and Drainage Bonds	Road Bonds	Park Bonds
Amount Authorized by Voters	$ 170,220,000	$ 47,400,000	$ 16,445,000
Amount Issued	(5,465,000)	(7,290,000)	
Remaining To Be Issued	$ 164,755,000	$ 40,110,000	$ 16,445,000

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, 2013:	$ 1,308,085
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 910,467

See accompanying auditors' report.

Totals
$ 9,055,000
3,700,000
-
$ 12,755,000
$ 553,631

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

	Amounts				
	2013	2012	2011	2010	2009
Revenues					
Sewer service	$ 261,073	$ 118,301	$ 51,387	$ 15,082	$ -
Property taxes	375,674	228,945	317,483	90,967	4,108
Penalties and interest			505	543	
Tap connection and inspection	64,550	35,075	14,155	825	
Miscellaneous	5,926	2,940		50	6
Investment earnings	142	24	152	30	15
Total Revenues	707,365	385,285	383,682	107,497	4,129
Expenditures					
Current service operations					
Professional fees	147,012	147,186	123,694	77,974	102,234
Contracted services	171,133	91,069	285,955	129,265	9,550
Repairs and maintenance	111,540	54,281	20,272	23,445	9,124
Utilities	41,714	35,664	17,324		
Leases	105,650	180,600	180,600	110,245	30,100
Administrative	30,827	21,926	15,926	11,050	14,444
Other	5,525	2,220	4,605		5,051
Capital outlay	15,050	37,132			
Total Expenditures	628,451	570,078	648,376	351,979	170,503
Revenues Over (Under) Expenditures	$ 78,914	$ (184,793)	$ (264,694)	$ (244,482)	$ (166,374)

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2013	2012	2011	2010	2009
37%	31%	13%	14%	
53%	59%	83%	84%	100%
		*	1%	
9%	9%	4%	1%	
1%	1%		*	*
*	*	*	*	*
100%	100%	100%	100%	100%
21%	38%	32%	73%	2476%
24%	24%	75%	120%	231%
16%	14%	5%	22%	221%
6%	9%	5%		
15%	47%	47%	103%	729%
4%	6%	4%	10%	350%
1%	1%	1%		122%
2%	10%			
89%	149%	169%	328%	4129%
11%	(49%)	(69%)	(228%)	(4,029%)

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

	Amounts		
	2013	2012	2011
Revenues			
Property taxes	$ 741,957	$ 450,857	$ -
Penalties and interest	4,829	1,896	
Accrued interest on bonds at date of sale	8,931	5,712	15,783
Investment earnings	2,877	2,609	1,472
Total Revenues	758,594	461,074	17,255
Expenditures			
Tax collection services	16,500	10,144	
Debt service			
Interest and fees	555,756	437,492	
Total Expenditures	572,256	447,636	
Revenues Over Expenditures	$ 186,338	$ 13,438	$ 17,255
Total Active Retail Wastewater Connections	768	333	191

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues		
2013	2012	2011
98%	98%	
1%	*	
1%	1%	91%
*	1%	9%
100%	100%	100%
2%	2%	
73%	95%	
75%	97%	0%
25%	3%	100%

Montgomery County Municipal Utility District No. 113
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2013

Complete District Mailing Address:	C/O Allen Boone Humphries Robinson LLP 3200 Southwest Freeway Suite 2600, Houston, TX 77027
District Business Telephone Number:	(713) 860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	February 8, 2013
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
Board Members				
David Garrett	5/12 - 5/16	$ 1,950	$ 73	President
Ashley S. Grigsby	5/10 - 5/14	1,650	61	Vice President
Jeffrey Nielsen	5/12 - 5/16	1,500	67	Secretary
Jamie Bingham	2/13 - 5/14	750	68	Assistant Secretary
Genevieve Strang	5/10 - 5/14	900	17	Assistant Vice President
Josh Barouh	5/10 - 2/13	450	50	Former Director
		Amounts Paid		
Consultants				
Allen Boone Humphries Robinson LLP	08/07	$ 281,095		Attorney
MSEC Enterprises, Inc	08/06	226,621		Operator
Myrtle Cruz, Inc.	08/07	20,691		Bookkeeper
Assessments of the Southwest, Inc.	08/07	6,304		Tax Collector
Montgomery Central Appraisal District	Legislation	6,434		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	04/09	1,369		Delinquent Tax Attorney
LJA Engineering, Inc.	08/07	33,391		Engineer
McGrath & Co., PLLC	Annual	23,150		Auditor
RBC Capital Markets	08/07	110,010		Financial Advisor
TBG Partners, Inc.	10/07			Landscape Architect

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