PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 13, 2016

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 119, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL INCLUDING A DISCUSSION OF ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS HAVE **NOT** BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—**NOT** QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE-BOOK-ENTRY-ONLY

Rating: Moody's "Baa1"
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSRUANCE" herein

$11,110,000
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 119
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX BONDS
SERIES 2016

Dated: November 1, 2016 **Due: April 1, as shown below**

The bonds described above (the "Bonds") are being issued by Montgomery County Municipal Utility District No. 119 (the "District"). Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds initially accrues from November 1, 2016, and is payable on April 1, 2017. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each October 1 and April 1 until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the "Paying Agent/Registrar"), directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY-SYSTEM."

MATURITY SCHEDULE

Principal Amount(a)	Maturity (April 1)	CUSIP Number(c)	Interest Rate	Initial Reoffering Yield(d)	Principal Amount(a)	Maturity (April 1)	CUSIP Number(c)	Interest Rate	Initial Reoffering Yield(d)
$ 450,000	2018		%	%	$ 450,000	2031 (b)		%	%
450,000	2019				450,000	2032 (b)			
450,000	2020				450,000	2033 (b)			
450,000	2021				450,000	2034 (b)			
450,000	2022				450,000	2035 (b)			
450,000	2023				450,000	2036 (b)			
450,000	2024 (b)				435,000	2037 (b)			
450,000	2025 (b)				425,000	2038 (b)			
450,000	2026 (b)				425,000	2039 (b)			
450,000	2027 (b)				425,000	2040 (b)			
450,000	2028 (b)				425,000	2041 (b)			
450,000	2029 (b)				425,000	2042 (b)			
450,000	2030 (b)								

(a) The Underwriter may designate one or more maturities as term bonds. See accompanying "OFFICIAL NOTICE OF SALE" and "OFFICIAL BID FORM."
(b) Bonds maturing on or after April 1, 2024, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on April 1, 2023, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
(c) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter (hereinafter defined) shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(d) Initial Reoffering Yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which subsequently may be changed.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston or any entity other than the District. **INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."**

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about November 9, 2016.

Bids Due: Monday, October 3, 2016, at 10:30 A.M., Central Daylight Savings Time, in Houston, Texas
Bid Award: Monday, October 3, 2016, at 12:00 Noon, Central Daylight Savings Time, in Houston, Texas

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 1400, Houston, Texas, 77056, upon the payment of the costs of duplication thereof.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by ______________ (the "Underwriter"), paying the interest rates shown on the cover page hereof, at a price of _______% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of ________% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the IBA method).

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating (i) the prices at which a substantial amount of the Bonds of each maturity have been sold to the public, and/or (ii) the price at which the Underwriter reasonably expected to sell a substantial amount of the Bonds of a particular maturity to the public, but for which a substantial amount of such maturity has not 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 Underwriter regarding the initial reoffering yields or prices of the Bonds. Information concerning initial reoffering yields or prices is the responsibility of the Underwriter.

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description... The District is a political subdivision of the State of Texas, created by House Bill No. 4079, Acts of the 80th Texas Legislature, Regular Session 2007, codified as Chapter 8269, Texas Special District Local Laws Code. The District operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 1,137 acres of land. See "THE DISTRICT."

Location... The District is located approximately 25 miles north of the central downtown business district of the City of Houston (the "City") and lies wholly within the exclusive extraterritorial jurisdiction of the City and within the boundaries of the Conroe Independent School District. The District lies approximately three miles east of Interstate Highway 45 and is bounded on the north by the Grand Parkway, on the east by Birnham Woods Drive, on the south by Spring Creek and on the west by Montgomery County Municipal Utility District No. 94. See "THE DISTRICT" and "AERIAL LOCATION MAP."

The Developers and Other Major Property Owners... Discovery Spring Trails, LLC, a Texas limited liability company ("Discovery Spring Trails") is one of the developers in the District. Discovery Spring Trails has developed or is developing 1,006 lots on approximately 256 acres. Discovery Spring Trails has engaged Johnson Development Services, LLC, a Houston based planned community developer, as the development manager to handle the day-to-day development, construction and lot sales in the District.

Discovery Springs Trails II, LLC, Texas limited liability company ("Discovery Spring Trails II") owns approximately 317 acres of undeveloped land within the District.

Taylor Morrison of Texas Inc., a Texas corporation ("Taylor Morrison") originally owned 159 acres in the District. Taylor Morrison has developed 47 acres of residential lots (195 lots) that are marketed as Allegro at Harmony. Taylor Morrison is also a homebuilder in Allegro at Harmony. Johnson Development Services, LLC handles the day-to-day development, construction and lot sales in the District on behalf of Taylor Morrison.

Shea Homes Houston, LLC, a Delaware limited liability company ("Shea Homes"), originally owned approximately 38 acres of undeveloped land within the District. Shea Homes has developed 117 residential lots on approximately 32 acres that are marketed as Vivace. Johnson Development Services, LLC has been engaged to handle the day-to-day development, construction and lot sales in the District on behalf of Shea Homes.

RPM4M Ventures LP, a Texas limited partnership ("RPM4M"), originally owned 74 acres in the District and is currently the owner of approximately 39 acres of commercial reserves within the District, all of which are served with trunk utilities. In 2012, RPM4M sold approximately 21 acres to HEB Grocery Co. LP for a grocery store. The grocery store opened in June 2015 on approximately 15 of such acres. The remaining 6 acres was condemned by the State of Texas for right-of-way purposes. In 2014, RPM4M sold approximately 14 acres for a retail/office strip center and a 273-unit apartment complex.

Castlerock Communities, L.P. ("Castlerock"), a Texas limited partnership, has developed approximately 16 acres of land within the District upon which it has constructed 112 townhome lots that are marketed as Solstice at Harmony. Castlerock is the sole homebuilder.

Collectively, Discovery Spring Trails, Discovery Spring Trails II, Taylor Morrison, Shea Homes, RPM4M and Castlerock are herein referred to as the "Developers." See "THE DEVELOPERS AND OTHER MAJOR PROPERTY OWNERS."

Status of Development... Development in the District currently includes 1,318 single-family residential lots on approximately 349 acres. As of July 15, 2016, the District consisted of 784 completed homes (750 occupied), 88 homes under construction and 446 vacant developed lots. Homes in the District range in price from approximately $200,000 to $500,000.

In addition to the single family residential development, Watermark at Harmony, a 310-unit apartment complex located on approximately 13 acres in the District, has been completed and began leasing in February 2015. According to the complex management, TWatermark at Harmony is at 96% occupancy as of August 31, 2016. Additionally, a 273 unit apartment complex, Broadstone Harmony, has recently been constructed on approximately 9 acres and leasing began in Spring 2016. Approximately 16 acres of land have been developed as 112 townhome lots. Currently, 4 townhomes are under construction.

Approximately 57 acres of commercial reserves have been developed with trunk facilities in the District. Day care facilities, a Mexican restaurant, an HEB grocery store, a 24 Hour Clinic, retail space, and a Sonic fast food restaurant have been constructed on approximately 27 acres of such acreage. In addition, a Panera Bread is under construction with an expected completion by the end of 2016. The remainder of the District is comprised of approximately 49 acres owned by Conroe Independent School District where a middle school and junior high school have been built (tax-exempt), approximately 5 acres where a church is located (tax-exempt), and approximately 67 acres of park land, open spaces and landscape reserves upon which a recreation center which includes a clubhouse, recreational pool, splash pad and playground equipment is located. A second recreation center includes a meeting facility, weight room, recreational pool, splash pad and playground equipment. In addition, Montgomery County Emergency Service District No. 8 has begun construction on a fire station located on approximately 2 acres within the District with an expected completion date of Summer 2017. There are approximately 432 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 138 acres of major thoroughfares, detention and drainage facilities, street right-of-way and utilities. See "THE DISTRICT."

Homebuilders… Homebuilders currently building in the District are Westin Homes, Highland Homes, Perry Homes, Ashton Woods, Village Builders, Castlerock, Darling Homes, Shea Homes, and Taylor Morrison. See "THE DISTRICT—Status of Development."

Payment Record… The District has previously issued four series of unlimited tax bonds for the purpose of construction and acquisition of water, sewer and drainage facilities (the "Outstanding WSD Bonds") and two series of unlimited tax road bonds (the "Outstanding Road Bonds"), of which $29,265,000 principal amount are outstanding (collectively known as the "Outstanding Bonds") as of the date hereof. Twelve (12) months of interest will be capitalized from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Short Term Debt… The District sold a $7,210,000 Bond Anticipation Note, Series 2016 (the "BAN") on April 7, 2016, with a maturity date of April 6, 2017. The District will use Bond proceeds to redeem the BAN prior to maturity. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Short Term Debt."

THE BONDS

Description... $11,110,000 Unlimited Tax Bonds, Series 2016 (the "Bonds") are being issued as fully registered bonds pursuant to an order ("Bond Order") authorizing the issuance of the Bonds adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on April 1 in the years 2018 through 2042, both inclusive. The Bonds will be issued in book-entry form only in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds initially accrues from November 1, 2016, and is payable on each April 1 and October 1 thereafter until maturity or prior redemption. See "THE BONDS."

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

Redemption... Bonds maturing on or after April 1, 2024, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on April 1, 2023, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

Use of Proceeds...	Proceeds of the Bonds will be used to pay for the construction costs shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, Bond proceeds will be used to capitalize twelve (12) months of interest on the Bonds; to pay interest on funds advanced by the Developers on behalf of the District; and to pay engineering fees and administrative costs and certain other costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Authority for Issuance...	At elections held within the District on November 6, 2007 and May 9, 2009, voters authorized a total of $173,665,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities. The Bonds are the fifth issue out of such authorization. After sale of the Bonds, the District will have $138,300,000 principal amount of unlimited tax bonds authorized but unissued for purposes of construction and acquisition of water, sewer and drainage facilities. See "THE BONDS—Authority for Issuance."
Source of Payment...	Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any entity other than the District. See "THE BONDS—Source and Security for Payment."
Not Qualified Tax-Exempt Obligations...	The District has not designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Not Qualified Tax-Exempt Obligations."
Municipal Bond Rating and Insurance	Application was made to Moody's Investors Service ("Moody's") for an underlying rating on the Bonds, and Moody's has assigned an underlying rating of "Baa1" to the District. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter at the Underwriter's expense. The underlying rating fee of Moody's will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."
Bond Counsel...	Schwartz, Page & Harding, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants" and "LEGAL MATTERS."
Financial Advisor…	FirstSouthwest, a Division of Hilltop Securities Inc., Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants."
Disclosure Counsel...	Norton Rose Fulbright US LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants."
Paying Agent/Registrar...	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2016 Certified Taxable Assessed Valuation	$343,295,584	(a)
Estimated Taxable Assessed Valuation as of August 1, 2016	$397,774,456	(b)
Gross Direct Debt Outstanding (including the Bonds)	$40,375,000	
Estimated Overlapping Debt	5,235,576	(c)
Gross Direct Debt and Estimated Overlapping Debt	$45,610,576	
Ratio of Gross Direct Debt to:		
2016 Certified Taxable Assessed Valuation	11.76%	
Estimated Taxable Assessed Valuation as of August 1, 2016	10.15%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2016 Certified Taxable Assessed Valuation	13.29%	
Estimated Taxable Assessed Valuation as of August 1, 2016	11.47%	
Funds Available for Debt Service:		
Water, Sewer and Drainage Debt Service Fund Balance as of September 13, 2016	$ 1,579,298	(d)
Capitalized Interest from proceeds of the Bonds (Twelve Months)	444,400	(e)
Road Debt Service Fund Balance as of September 13, 2016	366,424	(d)
Total Funds Available for Debt Service	$2,390,122	(d)
Funds Available for Operations and Maintenance as of September 13, 2016	$1,509,130	
Funds Available for Water, Sewer and Drainage Construction as of September 13, 2016	$4,140,446	
Funds Available for Road Construction as of September 13, 2016	$118,001	
2016 Debt Service Tax Rate	$0.95	
2016 Maintenance Tax Rate	0.42	
2016 Total Tax Rate	$1.37	(f)
Average Annual Debt Service Requirement (2017-2042)	$2,390,319	(g)
Maximum Annual Debt Service Requirement (2020)	$2,620,234	(g)
Tax Rate Required to Pay Average Annual Debt Service (2017-2042) at a 95% Collection Rate		
Based upon 2016 Certified Taxable Assessed Valuation	$0.74	
Based upon Estimated Taxable Assessed Valuation as of August 1, 2016	$0.64	
Tax Rate Required to Pay Maximum Annual Debt Service (2020) at a 95% Collection Rate		
Based upon 2016 Certified Taxable Assessed Valuation	$0.81	
Based upon Estimated Taxable Assessed Valuation as of August 1, 2016	$0.70	

Status of Development as of July 15, 2016 (h):

Total Homes Completed (750 occupied)	784	
Homes/Townhomes Under Construction	88	
Vacant Developed Lots Available for Home Construction	446	
Townhomes (112 units)	4	
Multi-Family (583 units)	2	
Estimated Population	3,791	(i)

(a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES".

(b) As provided by the Appraisal District. Such amount is only an estimate of the assessed value on August 1, 2016, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2016 and August 1, 2016 will be certified as of January 1, 2017 and provided for purposes of taxation in 2017.

(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes" and "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."

(d) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to the bonds sold for water, sewer and drainage facilities (the "WSD Bonds") and a portion will be allocated to the bonds sold for road facilities (the "Road Bonds"). The Water, Sewer and Drainage Debt Service Fund is pledged to the Outstanding WSD Bonds, including the Bonds once issued. See "THE BONDS—Funds," "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(e) The District will capitalize twelve (12) months of interest on the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS." Interest shown is calculated with an estimated interest rate of 4.00%.

(f) The District has authorized the publication of a 2016 total tax rate of $1.37 and expects to adopt such rate at a public hearing in October 2016 with $0.95 allocated to debt service and $0.42 allocated to maintenance.

(g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(h) See "THE DISTRICT—Land Use" and "—Status of Development."

(i) Based upon 3.5 persons per occupied single-family residence and 2.0 persons per occupied apartment and townhome unit.

PRELIMINARY OFFICIAL STATEMENT

$11,110,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

(A political subdivision of the State of Texas located within Montgomery County)

UNLIMITED TAX BONDS
SERIES 2016

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 119 (the "District") of its $11,110,000 Unlimited Tax Bonds, Series 2016 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, an order of the Texas Commission on Environmental Quality (the "TCEQ") authorizing the sale of the Bonds, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, Discovery Spring Trails, LLC, a Texas limited liability company ("Discovery Spring Trails"), Discovery Springs Trails II, LLC, a Texas limited liability company ("Discovery Springs Trails II"), Taylor Morrison of Texas Inc., a Texas corporation ("Taylor Morrison"), Shea Homes Houston, LLC, a Delaware limited liability company ("Shea Homes"), RPM4M Ventures LP, a Texas limited partnership ("RPM4M"), and Castlerock Communities, L.P. ("Castlerock" and together with Discovery Spring Trails, Discovery Springs Trails II, Taylor Morrison, Shea Homes, and RPM4M, the "Developers"), homebuilders building homes in the District (the "Builders") and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056, upon payment of duplication costs therefor.

THE BONDS

General

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

Description

The Bonds will be dated November 1, 2016, with interest payable on April 1, 2017, and on each October 1 and April 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from November 1, 2016, and thereafter, from the most recent Interest Payment Date. The Bonds mature on April 1 of the years and in the amounts shown under "MATURITY SCHEDULE" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Under certain limited circumstances described further in the Bond Order, the District may determine to forego immobilization of the Bonds at DTC, or another securities depository, in which case, the interests of each Beneficial Owner (as defined herein under "BOOK-ENTRY-ONLY SYSTEM.") with respect to the Bonds or any particular Bond would become exchangeable for one or more fully registered Bonds of like principal amount and the recipients of such exchange Bonds would be the Registered Owners (as defined below under "Registration") for all purposes described herein. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance

At elections held within the District on November 6, 2007 and May 9, 2009, voters of the District authorized a total of $173,665,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities. The Bonds constitute the fifth issuance of bonds from such authorization. After the issuance of the Bonds, a total of $138,300,000 in principal amount of unlimited tax bonds for water, sewer, and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ dated August 31, 2016.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Source and Security for Payment

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

Funds

The Bond Order confirms the prior creation of the District's Debt Service Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, sewer, and drainage facilities ("WSD Bonds") from funds received to pay debt service on bonds issued to finance road facilities ("Road Bonds"). The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from WSD Bonds and Road Bonds. Accrued interest on the Bonds plus an amount equal to twelve (12) months of interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the sub-account of the Debt Service Fund created in respect of WSD Bonds. All remaining proceeds of the Bonds will be deposited in the sub-account of the Construction Fund created in respect of WSD Bonds.

The proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of WSD Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-account created in respect of WSD Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized WSD Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt Service Fund created in respect of WSD Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the District's duly authorized WSD Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due or to become due on WSD Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in the sub-account created in respect of Road Bonds, will not be allocated to the payment of the Bonds.

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after April 1, 2024, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on April 1, 2023, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption (the "Redemption Date"). If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the Redemption Date in the manner specified in the Bond Order.

By the Redemption Date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

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

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $173,665,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have $138,300,000 principal amount of unlimited tax bonds authorized but unissued for said facilities. The District's voters have authorized the issuance of a total of $15,570,000 in principal amount of unlimited tax bonds for the purpose of constructing road facilities, $9,850,000 of which is authorized but unissued. See "Financing Road Facilities" below. The District's voters have authorized the issuance of a total of $19,350,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, all of which is unissued. See "Financing Recreational Facilities" below. The District's voters have also authorized the issuance of a total of $208,585,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, all of which is unissued. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

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

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution and Chapter 54 Texas Water Code, as amended, conservation and reclamation districts created pursuant to said Chapter 54 are authorized to develop and finance with property taxes certain road facilities following the granting of road powers by the TCEQ and a successful District election to approve the issuance of road bonds payable from taxes. The TCEQ granted road powers to the District and at elections held within the District on November 6, 2007 and May 9, 2009, voters of the District authorized a total of $15,570,000 in principal amount of unlimited tax bonds for financing and constructing road facilities. The District has issued $5,720,000 in principal amount of unlimited tax road bonds from said authorizations and could issue additional amounts. See "Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt." Issuance of additional bonds for road facilities may dilute the security for the Bonds.

Financing Recreational Facilities

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

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At elections held within the District on November 6, 2007 and May 9, 2009, voters of the District authorized a total of $19,350,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts and authorized a maintenance tax not to exceed $0.10 per $100 assessed valuation for maintenance of recreational facilities.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston without the District's consent, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City of Houston, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT—Strategic Partnership Agreement."

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies."

Defeasance

The District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable laws, including, without limitation, Chapter 1207, Texas Government Code, as amended.

Chapter 1207 currently provides that the Bonds may be defeased by a deposit with the Comptroller of Public Accounts of the State of Texas or a Paying Agent of the District which may be invested only in obligations that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment or redemption of the Bonds. The deposit may be invested and reinvested in (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States, (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Jones & Carter, Inc., the District's engineer (the "Engineer") and were submitted to the TCEQ in the District's Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and FirstSouthwest, a Division of Hilltop Securities Inc. (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

CONSTRUCTION COSTS	
• Water, Sanitary Sewer and Drainage to Serve:	
• Canyon Lakes at Spring Trails, Sections 1 and 2 and Discovery at Spring Trails, Sections 1 and 2	$ 1,964,631
• Canyon Lakes at Spring Trails, Section 5	267,178
• Harmony Park Crossing	378,253
• Clearing and Grubbing – Canyon Lakes at Spring Trails, Section 5	11,745
• Spring Creek Channel Extension	960,472
• Drainage Study Phase II	49,525
• Water Plant No. 1 Phase 2 Expansion	589,700
• Water Plant No. 2 Phase 1	3,000,000
• Contingency (for Water Plant No. 2 Phase 1)	150,000
• Storm Water Pollution Prevention	71,676
• Engineering	1,043,259
Total Construction Costs	$8,486,439
NON-CONSTRUCTION COSTS	
• Legal Fees	$ 282,200
• Financial Advisory Fees	191,650
• Capitalized Interest (12 months estimated at 5.00%) (a)	555,500
• Underwriter's Discount (estimated at 3.00%) (a)	333,300
• Developer Interest (estimated)	901,910
• BAN Interest	77,868
• BAN Issuance Expenses (includes Legal and Financial Advisory Fees)	147,831
• Bond Application Report	50,000
• TCEQ Fee	27,775
• Bond Issuance Expenses	46,027
• Attorney General Fee (0.10%)	9,500
Total Non-Construction Costs	$2,623,561
TOTAL BOND ISSUE REQUIREMENT	**$11,110,000**

(a) The TCEQ has approved a maximum of $555,500 of capitalized interest which equate to one year of interest at a rate of 5.00% and a maximum Underwriter's discount of 3%. Capitalized interest and debt service calculations throughout this Preliminary Official Statement are calculated at 4.00%.

THE DISTRICT

General

The District is a municipal utility district, created by House Bill No. 4079, Acts of the 80th Texas Legislature, Regular Session 2007, codified as Chapter 8269, Texas Special District Local Laws Code, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, (except as described below under "Strategic Partnership Agreement") is subject to the continuing supervisory jurisdiction of the TCEQ.

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

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

Strategic Partnership Agreement

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement dated effective November 16, 2012 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by TCEQ rules.

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the land planned for retail and commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Outstanding Bonds.

Description and Location

The District currently consists of approximately 1,137 acres of land in south Montgomery County. The District is located approximately 25 miles north of the central downtown business district of the City and lies wholly within the extraterritorial jurisdiction of the City and within the boundaries of the Conroe Independent School District. The District lies approximately three miles east of Interstate Highway 45 and is bounded on the north by the Grand Parkway, on the east by Birnham Woods Drive, on the south by Spring Creek and on the west by Montgomery County Municipal Utility District No. 94. See "AERIAL LOCATION MAP."

Land Use

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

	Approximate Acres	Lots
Single-Family Residential		
Discovery at Spring Trails:		
Section One	7	32
Section Two	8	28
Canyon Lakes at Spring Trails:		
Section One	22	61
Section One Partial Replat No. 1 and Expansion	28	88
Section One Partial Replat No. 2 and Expansion	13	27
Section Two	12	45
Section Four	25	96
Section Five	9	36
Harmony Creek, Section One	13	43
Harmony Creek, Section Four	1	1
Harmony Landing	12	53
Harmony Springs	33	139
Harmony Central Sector:		
Section One	61	268
Section Two	26	89
Allegro at Harmony:		
Section 1A	21	80
Section 2A	26	115
Vivace, Section One	32	117
Subtotal	349	1,318
Multi-family (583 units)(a)	22	---
Townhome (112 units)(b)	16	112
School Site (c)	49	---
Church Site	5	---
Park Site/Open Spaces/Landscape Reserves	67	---
Commercial Reserves (d)	57	---
Fire Station	2	---
Future Development	432	---
Non-Developable (e)	138	---
Totals	1,137	1,430

(a) Consists of two apartment complexes of 310 and 273 units, respectively.
(b) Construction of utilities and paving for townhome lots are complete. Currently 4 models are under construction.
(c) See "Status of Development—School Site" below
(d) Approximately 57 acres of commercial reserves are served with trunk facilities. Such acreage includes approximately 27 acres with improvements.
(e) Includes major thoroughfares, drainage facilities, street right-of-way, water plant, wastewater treatment plant and lift station sites, and undevelopable reserves.

Status of Development

Single-Family Residential: As of July 15, 2016, the District consisted of 784 completed homes (750 occupied), 88 homes under construction, and 446 vacant developed lots. Homes in the District range in price from approximately $200,000 to $500,000. As of July 15, 2016, the estimated population in the District based upon 3.5 persons per occupied single-family residence was 3,791.

Homebuilders actively conducting building programs within the District are: Westin Homes, Highland Homes, Perry Homes, Ashton Woods, Village Builders, Castlerock , Darling Homes, Shea Homes, and Taylor Morrison.

Multi-Family Residential: Watermark at Harmony, a 310-unit apartment complex located on approximately 13 acres in the District, has been completed and began leasing in February 2015. Additionally, a 273 unit apartment complex, Broadstone Harmony, has been constructed on approximately 9 acres and began leasing in Spring 2016.

Townhomes: Approximately 16 acres of land have developed as 112 townhome lots. Currently, 4 townhomes are under construction.

Commercial: Approximately 57 acres of commercial reserves have been developed with trunk facilities in the District. Day care facilities, a Mexican restaurant, an HEB grocery store, a 24 Hour Clinic, retail space, and a Sonic fast food restaurant have been constructed on approximately 27 of such acres. In addition, Panera Bread is under construction on 1 of such acres with expected completion by end of 2016.

School Site: Conroe Independent School District has constructed a middle school and junior high school on approximately 49 acres in the District (non-taxable).

Fire Station: Montgomery County Emergency Service District No. 8 has begun construction on a fire station located on approximately 2 acres within the District with an expected completion date of Summer 2017.

Future Development

The District is planned as a primarily residential development. Approximately 432 developable acres of land in the District are not yet served with water distribution and supply, wastewater collection and treatment or storm drainage facilities necessary for the construction of taxable improvements. In addition to the residential development, approximately 57 acres of commercial reserves have been provided with trunk facilities, of which approximately 30 acres have no vertical improvements constructed or have vertical improvements under construction. While the District anticipates future development of this acreage, there can be no assurances given as to whether or when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to accomplish full development of the District. See "THE BONDS—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt." The Engineer has stated that under current development plans, the remaining authorized but unissued bonds after issuance of the Bonds ($138,300,000) should be sufficient to finance the construction of water, sewer, and drainage facilities to complete development of the District.

THE DEVELOPERS AND OTHER MAJOR PROPERTY OWNERS

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Investors in the Bonds should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. The District cautions that the development experience of the Developers was gained in different markets and under different circumstances than those that exist in the District and the prior success, if any, is no indication or guarantee that the Developers will be successful in the development of land within the District.

The Developers are not responsible for, liable for, and have not made any commitment for payment of the Bonds or other obligations of the District. The Developers have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time.

Discovery Spring Trails, LLC

Discovery Spring Trails, LLC, a Texas limited liability company ("Discovery Spring Trails") is one of the developers in the District. Discovery Spring Trails has developed or is developing 1,006 lots on approximately 256 acres. Discovery Spring Trails has engaged Johnson Development Services, LLC ("Johnson"_, a Houston based planned community developer, as the development manager. Johnson Development Services, LLC handles the day-to-day development, construction and lot sales in the District on behalf of Discovery Spring Trails.

Discovery Springs Trails II, LLC

Discovery Springs Trails II, LLC, Texas limited liability company ("Discovery Springs Trails II") owns approximately 317 acres of undeveloped land within the District. Discovery Spring Trails has engaged Johnson as the development manager to handle the day-to-day development, construction and lot sales in the District.

Taylor Morrison of Texas, Inc.

Taylor Morrison of Texas Inc., a Texas corporation ("Taylor Morrison") originally owned 159 acres in the District. Taylor Morrison has developed 47 acres of residential lots (195 lots) that are marketed as Allegro at Harmony. Taylor Morrison is also a homebuilder in Allegro at Harmony. Johnson handles the day-to-day development, construction and lot sales in the District on behalf of Taylor Morrison.

Shea Homes Houston, LLC

Shea Homes Houston, LLC, a Delaware limited liability company ("Shea Homes"), owns approximately 38 acres of undeveloped land within the District. Shea Homes has 117 residential lots on approximately 32 acres that are marketed as Vivace. Johnson has been engaged to handle the day-to-day development, construction and lot sales in the District on behalf of Shea Homes.

RPM4M Ventures LP & HEB Grocery Co. LP

RPM4M Ventures LP, a Texas limited partnership ("RPM4M"), originally owned 74 acres in the District and is currently the owner of approximately 39 acres of commercial reserves within the District, all of which are served with trunk utilities. In 2012, RPM4M sold approximately 21 acres to HEB Grocery Co. LP for a grocery store. The grocery store opened in June 2015 on approximately 15 of such acres. The remaining 6 acres were condemned by the State of Texas for right-of-way purposes. In 2014, RPM4M sold approximately 14 acres for a future retail/office strip center and a 273-unit apartment complex. See "TAX DATA—Principal Taxpayers."

Castlerock Communities, L.P.

Castlerock Communities, L.P. ("Castlerock"), a Texas limited partnership, has developed approximately 16 acres of land within the District upon which it has constructed 112 townhome lots that are marketed as Solstice at Harmony. Castlerock is the sole homebuilder.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years. Four of the Board members reside within the District and one does not reside in the District; however, each of the Board members owns land within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

Name	District Board Title	Term Expires
James H. Ragan	President	May 2018
Justin Ramirez	Vice President	May 2018
Jackie Bragg	Secretary	May 2020
Todd E. Applegate	Assistant Secretary	May 2020
Steve Scarborough	Director	May 2018

District Consultants

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

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

Financial Advisor: FirstSouthwest, a Division of Hilltop Securities Inc. serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Disclosure Counsel: The District has engaged Norton Rose Fulbright US LLP, as disclosure counsel. The fees paid to disclosure counsel are contingent upon the sale and delivery of the Bonds.

Auditor: The District's financial statements for the year ended June 30, 2015, were audited by BKD, LLP, Certified Public Accountants. See "APPENDIX A" for a copy of the District's June 30, 2015, financial statements. The District did not request BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the June 30, 2015, financial statements. The District has engaged BKD, LLP to audit its financial statements for the year ended June 30, 2016.

Engineer: The District's consulting engineer is Jones & Carter, Inc. (the "Engineer").

Bookkeeper: The District has contracted with F. Matuska, Inc. (the "Bookkeeper") for bookkeeping services.

Utility System Operator: The operator of the District's water and wastewater systems and plants is TNG Utility Corp.

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

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

THE ROADS

There is one major thoroughfare within the District's boundaries that was financed with proceeds of the Outstanding Road Bonds. This includes a portion of Rayford Road from the intersection of Discovery Creek Boulevard to Harmony Creek. It is constructed of reinforced concrete with a curb and gutter on stabilized subgrade. The road was constructed a minimum 7-inches thick and consists of a single 25-foot wide concrete driving surface for one lane of traffic in each direction. Proceeds of Outstanding Road Bonds were used to construct the second 25-foot wide lane for this portion of Rayford Road and an extension of Rayford Road.

In addition to the thoroughfare, there are two collector streets within the District's boundaries, Discovery Creek Boulevard and Waterbend Cove, which were financed with proceeds of the Outstanding Bonds. Paving widths vary from 41 foot wide paving providing two lanes of traffic to dual 25-foot wide pavement surfaces for two lanes of traffic in each direction with a raised median. The collector streets were constructed of reinforced concrete with a curb and gutter on stabilized subgrade and were constructed a minimum 7-inches thick.

All roadways are designed and constructed in accordance with Montgomery County (the "County") and City of Houston standards, rules and regulations. Upon acceptance by the County of roadways or roadway facilities, the County is responsible for operation and maintenance thereof.

THE WATER, SEWER AND DRAINAGE SYSTEM

Regulation

Construction and operation of the District's water, sewer and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency ("EPA"). The provision of potable water in the District is subject to the regulatory authority of the TCEQ and EPA. Withdrawal of ground water and the issuance of water well permits is subject to the regulatory authority of the Lone Star Groundwater Conservation District. Montgomery County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's System. Changes in regulatory criteria could require the District to make additional capital expenditures for System improvements in the future.

Water Supply

Water supply for the District is provided by a water plant located within the District. The water plant consists of a 1,200 gallon per minute ("gpm") water well, 30,000 gallons of pressure tank capacity, 712,000 gallons of ground storage tank capacity and four booster pumps with a total capacity of 4,100 gpm. According to the District Engineer, the water plant will adequately serve 2,000 equivalent single-family connections ("ESFC"). As of July 2016, the District was serving 849 active connections (including 88 homes under construction). Proceeds of the Bonds will be used to finance a second water plant which will include a new water well, ground storage tank, pressure tank and booster pump capacity. Construction of the plant began in April 2016 and is expected to be completed by April 2017. The District has an emergency water interconnect with Montgomery County Municipal Utility District No. 94 ("MUD 94"). Full development of the District will require future expansion to the existing facilities.

Surface Water Conversion

The District is located within the boundaries of the Lone Star Groundwater Conservation District ("Conservation District"), a county-wide regulatory agency that was created by the Texas legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet the future needs of Montgomery County. The Conservation District has adopted a regulatory plan which requires ground water users within Montgomery County to reduce ground water usage by 30% by January 1, 2016. In order to comply with said requirement, the San Jacinto River Authority ("SJRA") entered into a contract with the Conservation District to develop an overall groundwater reduction plan ("GRP"). In turn, the District entered into a contract with SJRA pursuant to which the District is included in the SJRA's GRP. Based on the SJRA's "Joint Water Reduction Plan" dated March 2011, the District is not part of the 2016 conversion area but it is anticipated that surface water will be brought to the District as part of a future conversion. The SJRA instituted a groundwater pumpage fee commencing August 1, 2010. Said fee (effective September 1, 2016) is $2.50 per 1,000 gallons of water pumped by the District from its well. The amount billed per 1,000 gallons by the SJRA is subject to further increase in future years.

Wastewater Treatment

The District entered into a Waste Disposal Agreement with MUD 94 dated November 6, 2007 and amended September 23, 2008, November 7, 2011, March 4, 2014 and May 10, 2016. The original plant, in which the District owns approximately 109,000 gallons per day ("gpd") of capacity, is currently located on land wholly within MUD 94; however, an adjacent site was deeded to the District for future expansions of the wastewater treatment plant. The first expansion was completed and operational in October 2013 and provided an additional 200,000 gpd of capacity. Effective January 1, 2014, the District became the operating district for the plant. The second expansion of the plant was completed and operational in April 2016 and provided an additional 300,000 gpd of capacity. The cumulative wastewater treatment plant capacity currently owned or leased by the District is 608,760 gpd. According to the District Engineer, the expanded wastewater treatment plant capacity allocated to the District is capable of serving approximately 2,030 ESFCs. As of July 2016, the District was serving 849 active connections (including 88 homes under construction). Full development of the District will require further expansion of the existing facilities and/or construction of permanent wastewater treatment facilities.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,318 single family residential lots in the District. Additionally, there are facilities to serve approximately 57 acres of commercial reserves, approximately 22 acres for multi-family residential development (583 units), and approximately 16 acres constructed for a townhome project (112 units). See "THE DISTRICT—Land Use."

100-Year Flood Plain

There are currently no developable areas within the District officially within the 100 year flood plain according to the Federal Emergency Management ("FEMA") Flood Insurance Rate Maps and the Engineer. During the recent 500 year rain events, two garages in the District were flooded. Water did not get into any homes.

District Operations

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

The following statement sets forth in condensed form the General Operating Fund for the District as shown in the District's audited financial statements for the fiscal years ended June 30, 2012 through 2015, and an unaudited summary for the year ended June 30, 2016 from the Bookkeeper. Such figures are included for informational purposes only. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended June 30				
	2016(a)	2015	2014	2013	2012
Revenues:					
Property Taxes	$ 877,817	$ 649,061	$ 650,432	$ 419,310	$ 427,087
Water Service	408,562	264,301	110,607	100,294	87,698
Sewer Service	522,311	369,689	246,939	134,298	97,908
Regional Water Fee	324,316	302,208	81,612	48,199	23,871
Bulk Water Sales	-	46,710	-	-	-
Penalty and Interest	20,661	13,741	5,524	3,670	11,144
Tap Connection/ Inspection Fees	371,221	392,503	304,893	306,329	52,151
Interest Income	2,074	1,426	-	405	206
Other Income	96,370	-	1,245	37,051	115
Total Revenue	$ 2,623,332	$ 2,039,639	$ 1,401,252	$ 1,049,556	$ 700,180
Expenditures:					
Purchased Services	$ 443,861	$ 273,630	$ 150,186	$ 36,849	$ 25,848
Groundwater Fees	350,325	313,704	90,472	48,318	27,203
Professional Fees	265,852	276,016	211,568	162,521	192,644
Contracted Services	243,671	207,910	137,084	77,695	78,941
Utilities	100,777	92,490	50,504	36,306	37,565
Repairs & Maintenance	224,754	411,308	140,070	120,120	94,153
Other Expenditures	66,244	72,780	56,925	49,458	46,703
Tap Connections	246,313	187,728	135,183	64,089	30,563
Capital Outlay	53,111	1,687,060 (b)	1,007,636 (c)	-	143,601 (d)
Total Expenditures	$ 1,994,908	$ 3,522,626	$ 1,979,628	$ 595,356	$ 677,221
NET REVENUES	$ 628,424	$ (1,482,987)	$ (578,376)	$ 454,200	$ 22,959
Developer Advances	$ -	$ 1,661,238 (b)	$ 964,376 (c)	$ -	$ 122,563 (d)
Interfund Transers	$ 60,040	$ 43,382	$ (17,232)	$ 10,840	$ -
General Operating Fund Balance (Beginning of Year)	$ 1,109,314	$ 887,681	$ 518,913	$ 53,873	$ (91,649)
General Operating Fund Balance (End of Year)	$ 1,797,778	$ 1,109,314	$ 887,681	$ 518,913	$ 53,873

(a) Unaudited. Provided by the Bookkeeper.
(b) In 2015, the Developers advanced funds to the District to finance the construction of facilities to serve the Rayford Road Extension, Phase II.
(c) In 2014, the Developers advanced funds to the District to buy land from Conroe ISD to expand the water plant site and to finance the remaining construction costs associated with a lift station expansion and wastewater treatment plant expansion projects and all of the construction costs for facilities needed to serve the multifamily project.
(d) In 2012, the Developers advanced funds to the District to finance the purchase of wastewater treatment capacity from Montgomery County Municipal Utility District No. 94 and to finance a water well no. 1 rehabilitation project.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2016 Certified Taxable Assessed Valuation	$343,295,584	(a)
Estimated Taxable Assessed Valuation as of August 1, 2016	$397,774,456	(b)
Gross Direct Debt Outstanding (including the Bonds)	$40,375,000	
Estimated Overlapping Debt	5,235,576	(c)
Gross Direct Debt and Estimated Overlapping Debt	$45,610,576	
Ratio of Gross Direct Debt to:		
2016 Certified Taxable Assessed Valuation	11.76%	
Estimated Taxable Assessed Valuation as of August 1, 2016	10.15%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2016 Certified Taxable Assessed Valuation	13.29%	
Estimated Taxable Assessed Valuation as of August 1, 2016	14.00%	
Funds Available for Debt Service:		
Water, Sewer and Drainage Debt Service Fund Balance as of September 13, 2016	$1,579,298	(d)
Capitalized Interest from proceeds of the Bonds (Twelve Months)	444,400	(e)
Road Debt Service Fund Balance as of September 13, 2016	366,424	(d)
Total Funds Available for Debt Service	$2,390,122	(d)
Funds Available for Operations and Maintenance as of September 13, 2016	$1,509,130	
Funds Available for Water, Sewer and Drainage Construction as of September 13, 2016	$4,140,446	
Funds Available for Road Construction as of September 13, 2016	$118,001	

(a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES".
(b) As provided by the Appraisal District. Such amount is only an estimate of the assessed value on August 1, 2016, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2016 and August 1, 2016 will be certified as of January 1, 2017 and provided for purposes of taxation in 2017.
(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes" and "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."
(d) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to the bonds sold for water, sewer and drainage facilities (the "WSD Bonds") and a portion will be allocated to the bonds sold for road facilities (the "Road Bonds"). The Water, Sewer and Drainage Debt Service Fund is pledged to the Outstanding WSD Bonds, including the Bonds once issued. See "THE BONDS—Funds," "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
(e) The District will capitalize twelve (12) months of interest on the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS." Interest shown is calculated with an estimated interest rate of 4.00%.

Investments of the District

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

Outstanding Bonds

Series	Original Principal Amount	Outstanding Bonds As of 8/31/2016
2012	$ 2,875,000	$ 2,775,000
2012 (a)	2,695,000	2,395,000
2013	4,245,000	4,085,000
2014	4,560,000	4,480,000
2015 (a)	3,025,000	2,955,000
2015A	12,575,000	12,575,000
Total	$ 29,975,000	$ 29,265,000

(a) Unlimited Tax Road Bonds.

Short Term Debt

The District sold a $7,210,000 Bond Anticipation Note, Series 2016 (the "BAN") on April 7, 2016, with a maturity date of April 6, 2017. The District will use Bond proceeds to redeem the BAN prior to maturity. Proceeds from the BAN were used to reimburse the Developers for certain costs as shown under "USE AND DISTRIBUTION OF BOND PROCEEDS" herein. The BAN is payable solely with Bond proceeds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds plus the estimated debt service on the Bonds at an estimated interest rate per annum of 4.00%. This schedule does not reflect the fact that twelve (12) months of interest will be capitalized from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

	Outstanding Bonds Debt Service	Plus: Debt Service on the Bonds			Debt Service
Year	Requirements	Principal	Interest	Total	Requirements
2017	$ 1,728,333.76		$ 407,366.67	$ 407,366.67	$ 2,135,700.43
2018	1,731,721.26	$ 450,000	435,400.00	885,400.00	2,617,121.26
2019	1,738,833.76	450,000	417,400.00	867,400.00	2,606,233.76
2020	1,770,833.76	450,000	399,400.00	849,400.00	2,620,233.76
2021	1,779,433.76	450,000	381,400.00	831,400.00	2,610,833.76
2022	1,788,277.51	450,000	363,400.00	813,400.00	2,601,677.51
2023	1,799,815.01	450,000	345,400.00	795,400.00	2,595,215.01
2024	1,808,602.51	450,000	327,400.00	777,400.00	2,586,002.51
2025	1,834,518.13	450,000	309,400.00	759,400.00	2,593,918.13
2026	1,832,883.75	450,000	291,400.00	741,400.00	2,574,283.75
2027	1,833,908.75	450,000	273,400.00	723,400.00	2,557,308.75
2028	1,837,640.00	450,000	255,400.00	705,400.00	2,543,040.00
2029	1,864,183.75	450,000	237,400.00	687,400.00	2,551,583.75
2030	1,867,508.75	450,000	219,400.00	669,400.00	2,536,908.75
2031	1,863,050.00	450,000	201,400.00	651,400.00	2,514,450.00
2032	1,880,794.38	450,000	183,400.00	633,400.00	2,514,194.38
2033	1,885,397.51	450,000	165,400.00	615,400.00	2,500,797.51
2034	1,891,522.51	450,000	147,400.00	597,400.00	2,488,922.51
2035	1,894,188.13	450,000	129,400.00	579,400.00	2,473,588.13
2036	1,899,237.50	450,000	111,400.00	561,400.00	2,460,637.50
2037	1,910,938.75	435,000	93,700.00	528,700.00	2,439,638.75
2038	1,924,043.75	425,000	76,500.00	501,500.00	2,425,543.75
2039	1,933,418.75	425,000	59,500.00	484,500.00	2,417,918.75
2040	1,938,537.50	425,000	42,500.00	467,500.00	2,406,037.50
2041	892,500.00	425,000	25,500.00	450,500.00	1,343,000.00
2042	-	425,000	8,500.00	433,500.00	433,500.00
Total	$ 45,130,123.24	$ 11,110,000	$ 5,908,166.67	$ 17,018,166.67	$ 62,148,289.91

Average Annual Debt Service Requirements (2017-2042) $2,390,319
Maximum Annual Debt Service Requirement (2020) $2,620,234

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Montgomery County	$426,470,000	06/30/16	0.23%	$ 980,881
Conroe Independent School District	1,042,395,000	06/30/16	0.37%	3,856,861
Lone Star College System	568,335,000	06/30/16	0.07%	397,834
Total Estimated Overlapping Debt				$ 5,235,576
The District's Total Direct Debt (a)				40,375,000
Total Direct and Estimated Overlapping Debt				$45,610,576
Direct and Estimated Overlapping Debt as a Percentage of:				
2016 Certified Taxable Assessed Valuation of $343,295,584				13.29%
Estimated Taxable Assessed Valuation as of August 1, 2016 of $397,774,456				11.47%

(a) The Bonds and the Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2015 tax year by entities overlapping the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate Per $100 Assessed Valuation
Montgomery County	$0.4767
Montgomery County Hospital District	0.0710
Conroe Independent School District	1.2800
Lone Star College System	0.1079
Montgomery County ESD No. 8	0.0926
Total Overlapping Tax Rate	$2.0282
The District (a)	1.3700
Total Tax Rate	$3.3982

(a) The District has authorized the publication of a 2016 total tax rate of $_1.37 and expects to adopt such rate at a public hearing in October 2016 with $0.95 allocated to debt service and $0.42 allocated to maintenance.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See "Tax Rate Distribution" and "Tax Roll Information" below, and "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payment."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was held on November 6, 2007, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 assessed valuation for general operations and maintenance costs. At the same election, voters authorized the Board to levy a maintenance tax for operations and maintenance costs of recreational facilities at a rate not to exceed $0.10 per $100 assessed valuation. The District levied a $0.42 general operations and maintenance tax rate for 2015. It has not levied a maintenance and operations tax for recreational facilities to date. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Tax Exemptions

For the 2016 tax year, the District has granted an exemption of $7,500 of assessed valuation for person 65 years of age and older and to individuals who are under a disability for purpose of payment of disability insurance benefits under the Federal Old Age and Disability Insurance Act.

Tax Rate Distribution

	2016(a)	2015	2014	2013	2012
Debt Service	$ 0.95	$ 0.95	$ 0.80	$ 0.46	$ 0.46
Maintenance	0.42	0.42	0.65	0.99	0.99
Total	$ 1.37	$ 1.37	$ 1.45	$ 1.45	$ 1.45

(a) The District has authorized the publication of a 2016 total tax rate of $1.37 and expects to adopt such rate at a public hearing in October 2016 with $0.95 allocated to debt service and $0.42 allocated to maintenance.

Historical Tax Collections

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

Tax Year	Net Certified Taxable Valuation (a)	Tax Rate	Total (b) Tax Levy	Total Collections As of August 31, 2016 (c) Amount	Percent
2011	$ 29,458,252	$ 1.45	$ 427,182	$ 427,182	100.00%
2012	42,409,333	1.45	614,950	614,892	99.99%
2013	65,518,055	1.45	950,048	950,048	100.00%
2014	103,126,809	1.45	1,495,353	1,491,859	99.77%
2015	206,491,336	1.37	2,828,968	2,812,955	99.43%
2016	343,295,584	1.37	4,703,150	(d)	(d)

(a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below for gross appraised value and exemptions granted by the District.
(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date of this OFFICIAL STATEMENT.
(c) Reflects unaudited collections.
(d) The District has authorized the publication of a 2016 total tax rate of $1.37 and expects to adopt such rate at a public hearing in October 2016 with $0.95 allocated to debt service and $0.42 allocated to maintenance. Taxes for the 2016 tax year are due January 31, 2017.

Tax Roll Information

The District's appraised value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2012 through 2016 Certified Taxable Assessed Valuations. A breakdown of the Estimated Taxable Assessed Valuation as of August 1, 2016, of $397,774,456 is not available from the Appraisal District.

	2016 Taxable Assessed Valuation	2015 Taxable Assessed Valuation	2014 Taxable Assessed Valuation	2013 Taxable Assessed Valuation	2012 Taxable Assessed Valuation
Land	$ 83,042,230	$ 52,969,460	$ 36,052,510	$ 29,696,670	$ 13,056,320
Improvements	293,610,980	192,311,350	101,847,590	70,222,920	55,267,780
Personal Property	2,958,336	1,126,635	498,214	235,852	196,748
Total Assessed Value	$ 379,611,546	$ 246,407,445	$ 138,398,314	$ 100,155,442	$ 68,520,848
Less Exemptions (a)	(36,315,962)	(39,916,109)	(35,271,505)	(34,636,387)	(26,111,515)
Total Taxable Assessed Valuation	$ 343,295,584	$ 206,491,336	$ 103,126,809	$ 65,519,055	$ 42,409,333

(a) Represents primarily the Conroe Independent School District property that is not taxable.

Principal Taxpayers

The following table represents the principal taxpayers and their taxable appraised value as a percentage of the 2016 Certified Taxable Assessed Valuation of $343,295,584. This represents ownership as of January 1, 2016. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of August 1, 2016, of $397,774,456 is not available from the Appraisal District.

Taxpayer	Taxable Assessed Value	% of 2016 Taxable Assessed Value
Watermark at Harmony LLC (b)	$ 26,374,560	7.68%
Taylor Morrison of Texas Inc. (a)	13,506,070	3.93%
HEB Grocery Co. LP (b)	12,233,730	3.56%
Broadstone Harmony LP (b)	8,754,250	2.55%
Discovery Spring Trails LLC (a)	5,104,430	1.49%
RPM Ventures (a)	4,205,720	1.23%
Westin Homes & Properties LP (b)	3,706,740	1.08%
Lennar Homes of Texas Land (b)	3,019,430	0.88%
Darling Homes of Texas LLC (b)	2,708,590	0.79%
Ashton Houston Residential LLC (b)	2,300,810	0.67%
H School Holding Company	2,164,280	0.63%
Total of Principal Taxpayers	$ 84,078,610	24.49%

(a) See "THE DEVELOPERS AND OTHER MAJOR PROPERTY OWNERS."
(b) See "THE DISTRICT—Status of Development."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 appraised valuation which would be required to meet average annual and maximum debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District's tax base occurred beyond the 2016 Certified Taxable Assessed Valuation of $343,295,584 and the Estimated Taxable Assessed Valuation as of August 1, 2016 of $397,774,456. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable value in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2017-2042)	$2,390,319
$0.74 Tax Rate on 2016 Certified Taxable Assessed Valuation	$2,413,368
$0.64 Tax Rate on Estimated Taxable Assessed Valuation as August 1, 2016	$2,418,469
Maximum Annual Debt Service Requirement (2020)	$2,620,234
$0.81 Tax Rate on 2016 Certified Taxable Assessed Valuation	$2,641,660
$0.70 Tax Rate on Estimated Taxable Assessed Valuation as of August 1, 2016	$2,645,200

No representation or suggestion is made that the estimated values of land and improvements provided by the Appraisal District as of August 1, 2016, for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2016 tax year, the District has granted an exemption of $7,500 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, 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.

A “Freeport Exemption” applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer’s motor vehicles, dealer’s vessel and outboard motor vehicle, dealer’s heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2016 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2016, approximately 172 acres of land within the District are designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units . See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

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

INVESTMENT CONSIDERATIONS

General

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

The Developers have informed the Board that their current plans are to continue marketing the remaining developed lots in the District to the builders and developing the remaining developable acreage; however, none of the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development 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 Developers or any other landowner within the District to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell 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 Developers or any other landowner. See "THE DEVELOPERS AND OTHER MAJOR PROPERTY OWNERS."

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots which are currently being marketed by the Developers to the homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "Credit Markets and Liquidity in the Financial Markets" below and "THE DISTRICT—Status of Development."

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 25 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base or reduce it from current levels.

Competition

The demand for and construction of single-family homes in the District, which is 25 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in the northern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the builders in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects 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 Developers will be implemented or, if implemented, will be successful.

Undeveloped Acreage and Vacant Lots

There are 446 vacant developed single family and townhome lots, and approximately 432 developable acres of land within the District that have not been fully provided with road, water, sewer and storm drainage and detention facilities necessary for the construction of taxable improvements. The District makes no representation as to when or if development of this acreage will occur or if the homebuilding program will be successful. See "THE DISTRICT—Land Use."

Maximum Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2016 Certified Assessed Valuation is $343,295,584 and the Estimated Taxable Assessed Valuation as of August 1, 2016, is $397,774,456. After issuance of the Bonds, the maximum annual debt service requirement will be $2,620,234 (2020), and the average annual debt service requirement will be $2,390,319 (2017-2042 inclusive). Assuming no increase or decrease from the 2016 Certified Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of August 1, 2016, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.81 and $0.74, respectively, based on the 2016 Certified Value and $0.70 and $0.64, respectively, based on the Estimated Taxable Assessed Valuation as of August 1, 2016, per $100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay both the maximum annual debt service requirement and the average annual debt service requirements. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

No representation or suggestion is made that the estimated values of land and improvements provided by the Appraisal District as of August 1, 2016, for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

Dependence on Major Taxpayers and the Developers

The ten principal taxpayers represent $84,078,610 (24.49%) of the 2016 Certified Taxable Assessed Valuation of $343,295,584. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of August 1, 2016 ($397,774,456) is currently not available. If the Developers or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus available for payment of the Bonds, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could force the District to levy a high tax rate to pay principal and interest on its debt, thereby hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAX DATA—Principal Taxpayers," "TAXING PROCEDURES—Levy and Collection of Taxes."

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of $173,665,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for financing water, sewer and drainage facilities, and, after the issuance of the Bonds, $138,300,000 in principal amount of said unlimited tax bonds will remain authorized but unissued. A total of $15,570,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for financing road facilities, and, $9,850,000 in principal amount of said unlimited tax bonds remains authorized but unissued. The District's voters have also authorized the issuance of a total of $19,350,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, all of which remains authorized but unissued. In addition, voters have authorized $208,585,000 principal amount in unlimited tax refunding bonds, all of which remains authorized but unissued. Voters may authorize the issuance of additional bonds secured by ad valorem taxes for any or all of the above purposes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of the Bonds.

After reimbursements are made with Bond proceeds, the District will continue to owe the Developers and other property owners approximately $33.000.000 (as of August 31, 2016) plus interest for advances made for the engineering and construction of water, sanitary sewer and drainage facilities, recreational facilities and road facilities. The District intends to issue additional bonds in order to fully reimburse the Developers for facilities constructed or under construction and to provide water, sewer, storm sewer and major drainage facilities and channel improvements, roads, and recreational facilities to the remainder of undeveloped but developable land (432 acres). In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. Except with respect to additional bonds for roads, the issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. Further, the principal amount of bonds issued to finance recreational facilities may not exceed 1% of either the District's certified value or an estimate of value as provided by a certificate of the Appraisal District. See "THE BONDS—Issuance of Additional Debt," "—Financing of Recreational Facilities" and "—Financing of Road Facilities."

Continuing Compliance with Certain Covenants

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

Marketability of the Bonds

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

Environmental Regulation

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

- Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property;
- Requiring action to prevent or mitigate pollution;
- Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a municipal utility district or other type of district ("Utility Districts") 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 injunctive relief as to future compliance of and the ability to operate the Utility District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to Utility Districts, including the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "*EPA*") and the Texas Commission on Environmental Quality ("*TCEQ*") may impact new industrial, commercial and residential development in Houston and adjacent areas. 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 originally designated by the EPA as a moderate ozone nonattainment area for the "8-hour" ozone standard. Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA's "8-hour" ozone standards are met. To provide for reductions in ozone concentrations, the EPA and the TCEQ have imposed increasingly stringent limits on sources of air emissions and require any new source of significant air emissions to provide for a net reduction of air emissions. If the HGB area fails to demonstrate progress in reducing ozone concentrations 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 severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

In order to comply with the EPA's standards for the HGB area, the TCEQ has established a state implementation plan ("*SIP*") setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. On June 15, 2007, the Governor of the State of Texas requested a voluntary reclassification of the HGB area to a severe ozone nonattainment area for the 8-hour ozone standard, with an attainment date of June 15, 2019. On October 1, 2008, the EPA granted this request. The severe classification will give the HGB area more time to reach attainment. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by June 15, 2019. These additional controls could have a negative impact on the HGB area's economic growth and development.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion ("ppb") to 70 ppb. This could make it more difficult for the HGB Area to demonstrate progress is reducing ozone concentration.

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 Utility 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.

Operations of a Utility District's sewer facilities will be subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed under permits issued pursuant to the National Pollutant Discharge Elimination System ("NPDES") program. On September 14, 1998, EPA authorized Texas to implement the NPDES program, which is called the Texas Pollutant District Elimination System program.

Construction activities and operations of Utility Districts, such as the District, are also potentially subject to stormwater discharge permitting requirements under provisions from Section 402 of the Clean Water Act and Chapter 26 of the Texas Water Code. The permitting process is, in most instances, managed by the TCEQ through its Texas Pollutant Discharge Elimination System ("TPDES").

The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. TXR150000 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. Construction activity by the District may require coverage under TXR150000.

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

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

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

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

Future and Proposed Legislation

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

Continuing Compliance with Certain Covenants

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

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

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT—General," "—Strategic Partnership Agreement" and "—Management of the District—Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

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

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

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

Not Qualified Tax-Exempt Obligations

The District has **NOT** designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code due to the fact that the reasonably anticipated amount of tax-exempt obligations which will be issued by the District during the calendar year 2016, including the Bonds, will exceed $10,000,000.

Collateral Federal Income Tax Consequences

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

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

Interest on the Bonds will be included as an adjustment for “adjusted current earnings” of a corporation for purposes of computing its alternative minimum tax under Section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

Under Existing Law, 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. See “Tax Exemption” herein for a discussion of certain collateral federal tax consequences.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and 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, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

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

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

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

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “Baa1” to the Bonds. An explanation of the rating may be obtained from Moody’s. The rating fees of Moody’s will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter and at the Underwriter’s expense. The rating fees of Moody’s will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

FirstSouthwest, a Division of Hilltop Securities Inc. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, FirstSouthwest, a Division of Hilltop Securities Inc. has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" and "TAXING PROCEDURES" has been provided by Assessments of the Southwest and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

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

Auditor: The District's financial statements for the year ended June 30, 2015, were audited by BKD, LLP, Certified Public Accountants. See "APPENDIX A" for a copy of the District's June 30, 2015, financial statements.

Bookkeeper: The information related to the unaudited summary of the District's General Operating Fund as it appears in "WATER, SEWER AND DRAINAGE SYTEM—District Operations" has been prepared by F. Matuska, Inc. and is included herein in reliance upon the authority of such firm as experts in tracking and manage the various funds of municipal utility districts.

Updating the Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the "SEC")), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. 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 "THE WATER, SEWER AND DRAINAGE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements," "TAX DATA" and "APPENDIX A" (Auditor's Report and Financial Statements and supplemental schedules). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2016.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements provided by the District will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

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

Availability of Information from MSRB

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

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

Compliance With Prior Undertakings

Since issuance of its first series of bonds in 2012, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

/s/ ________________________
President, Board of Directors

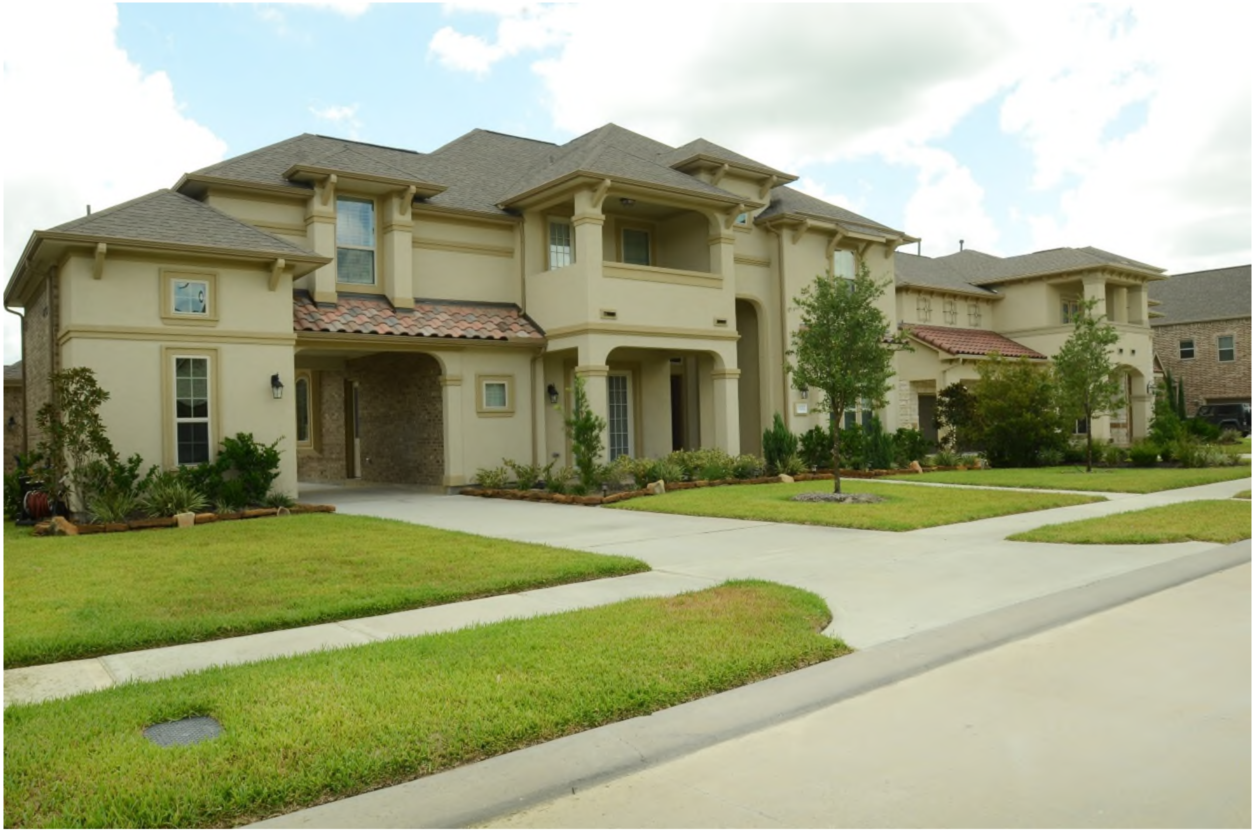
ATTEST:

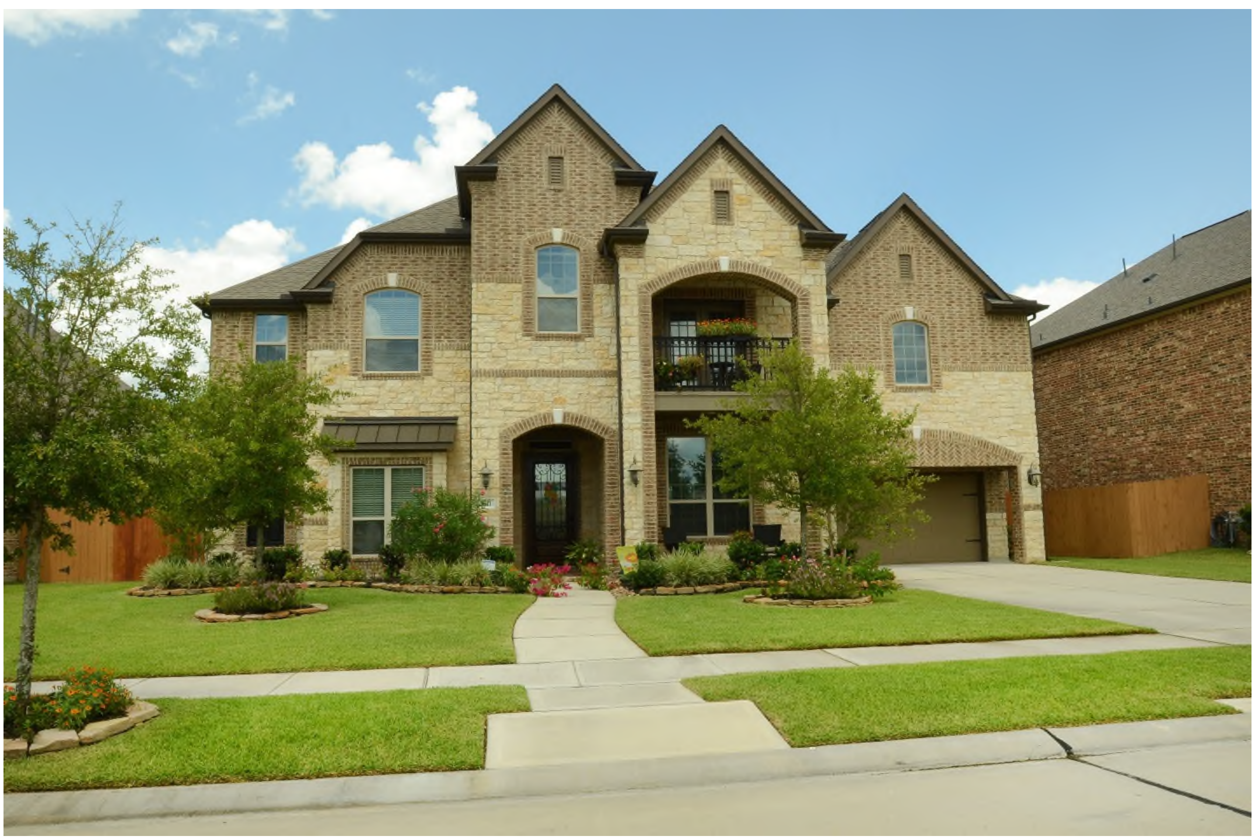
/s/________________________
Secretary, Board of Directors

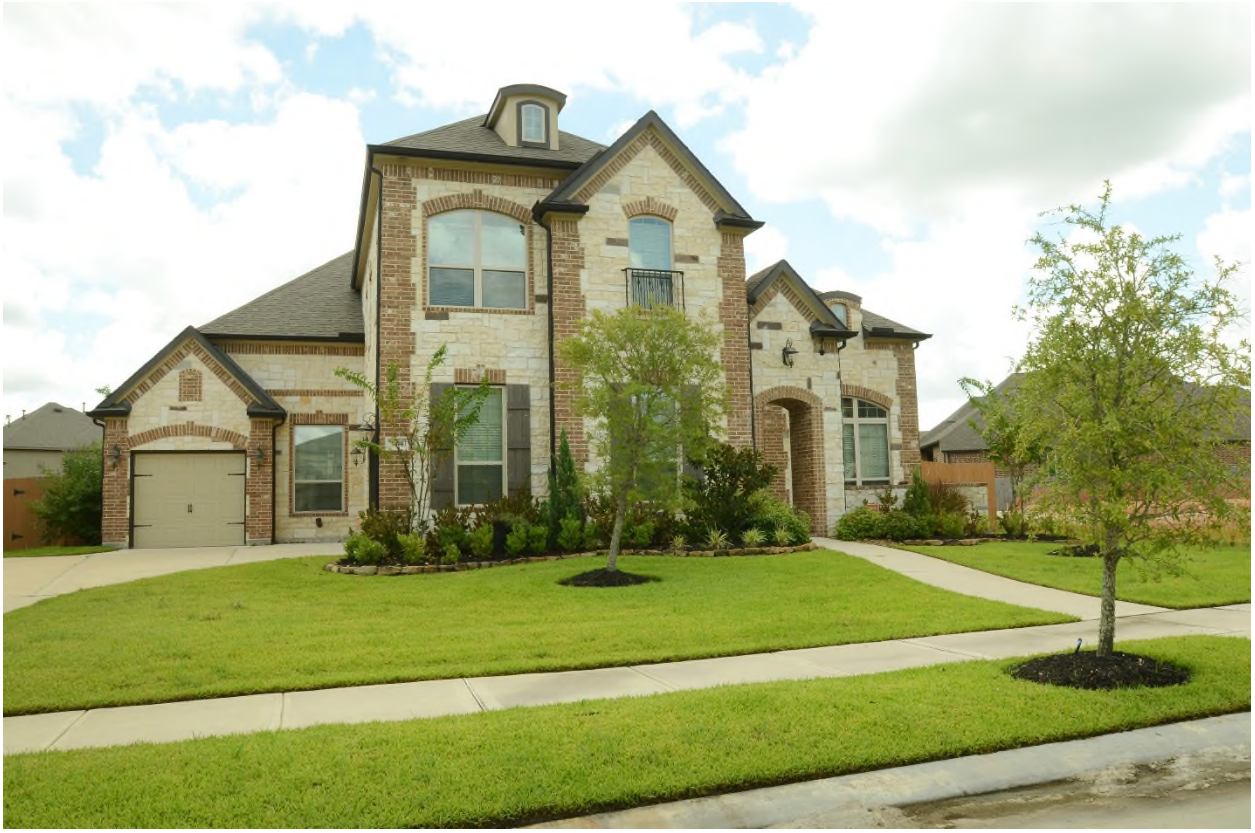
AERIAL LOCATION MAP
(Approximate Boundaries as of August 2016)

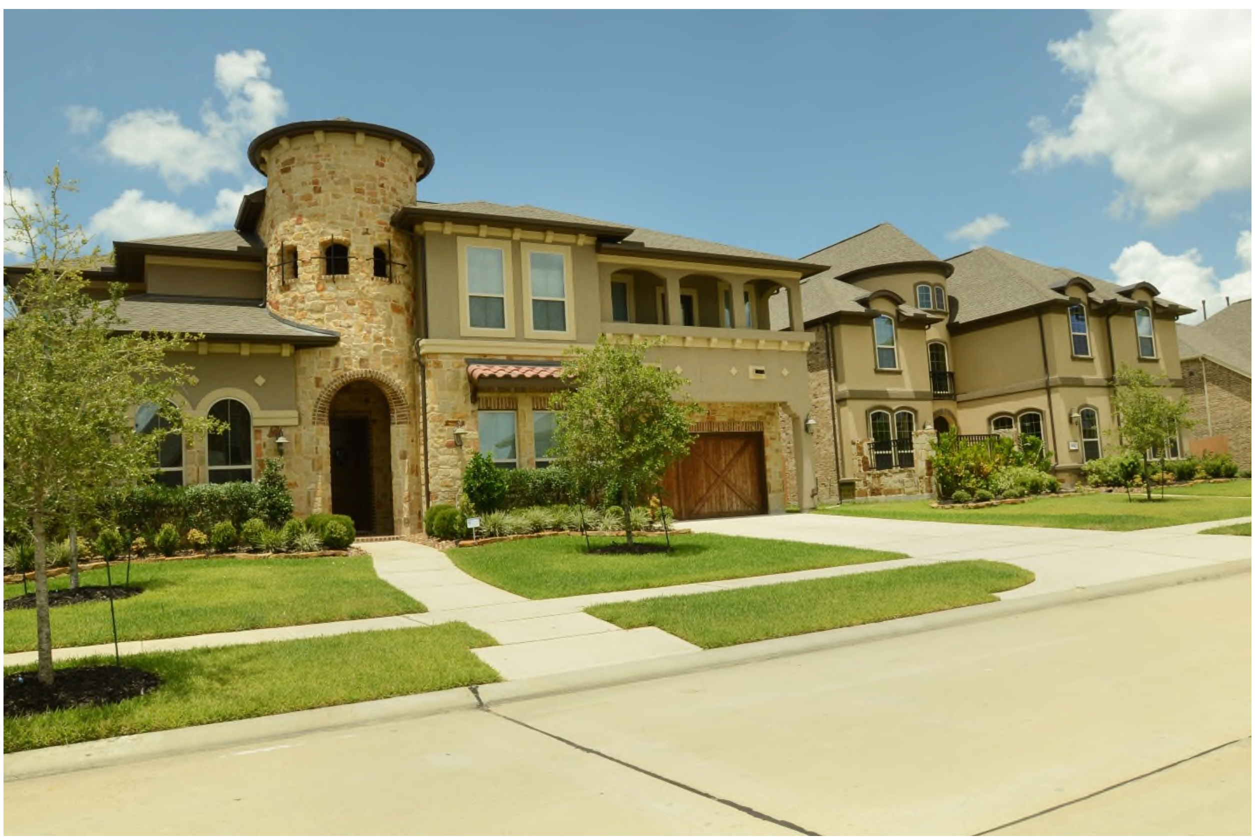

MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 119
RILEY FUZZELL RD.
BIRNHAM WOODS DR.
RAYFORD RD.
N

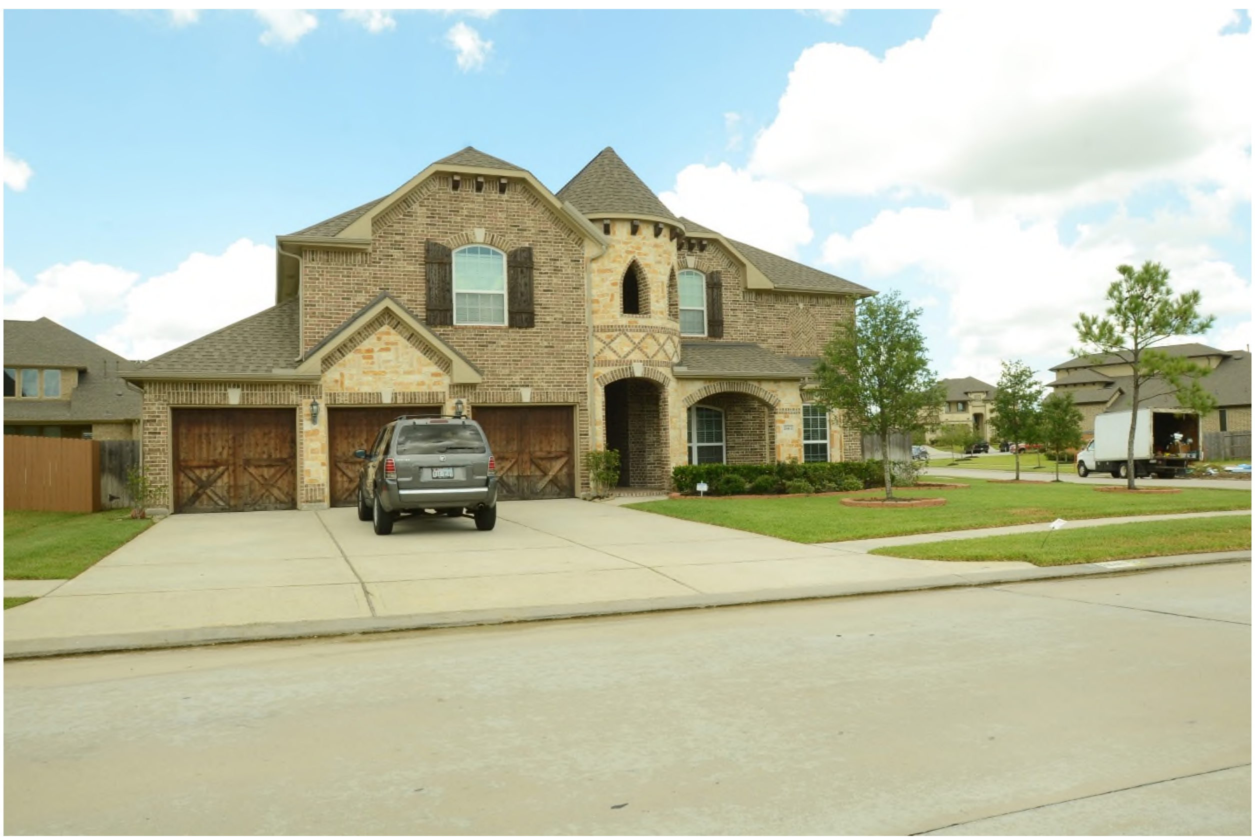
PHOTOGRAPHS OF THE DISTRICT
(Taken August 2016)

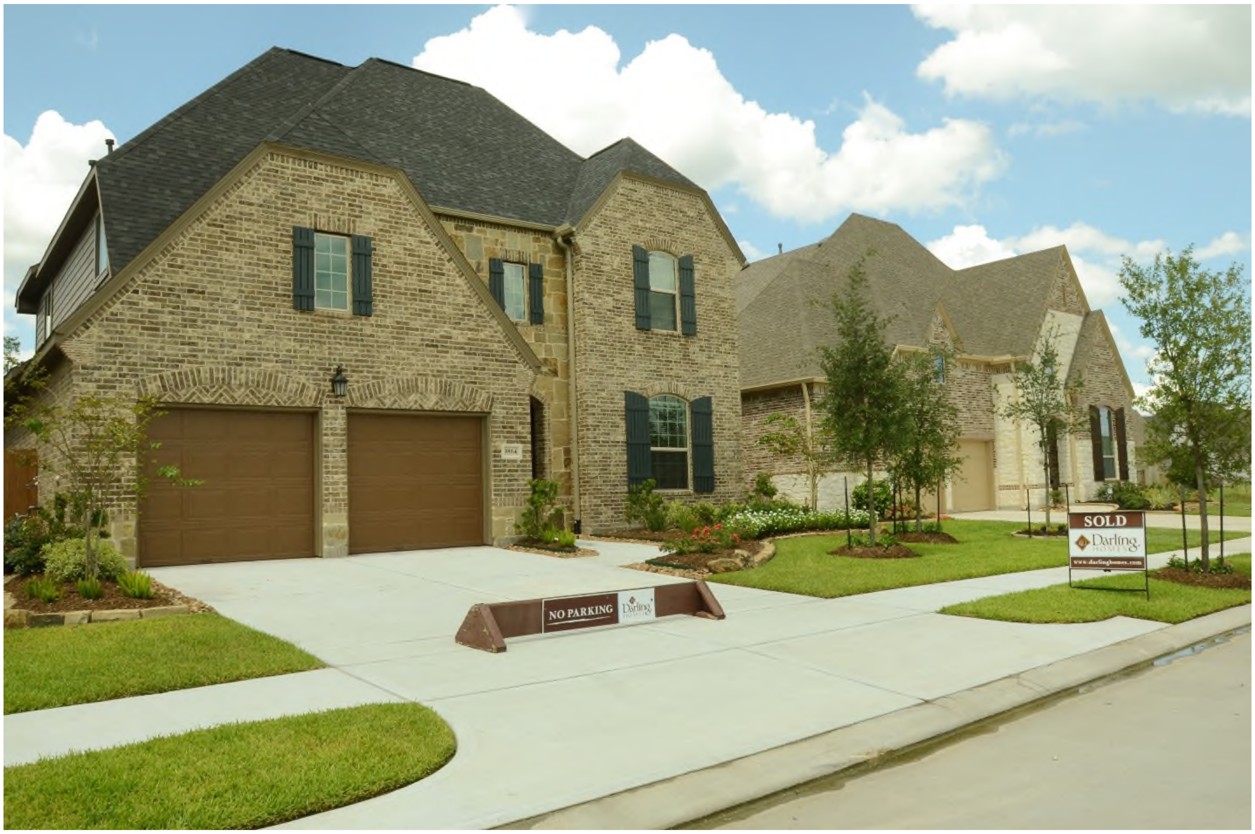


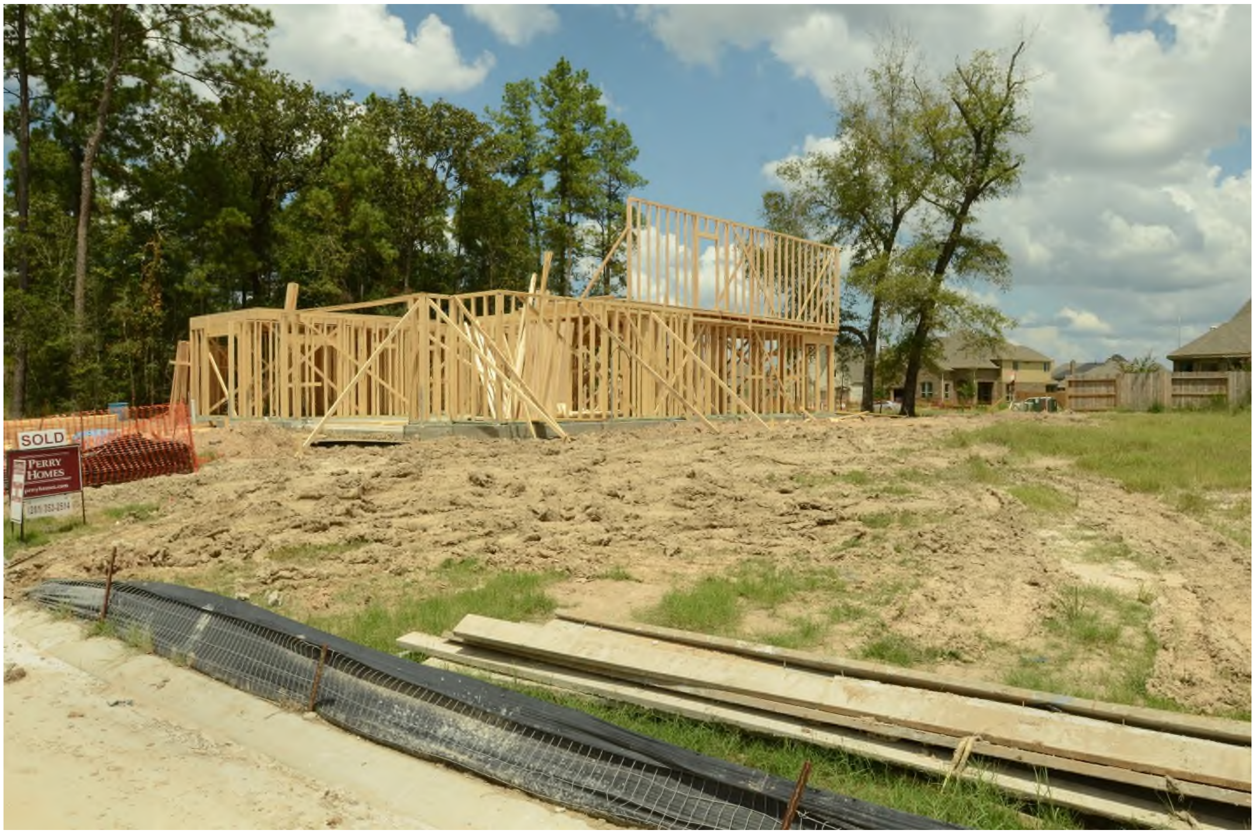




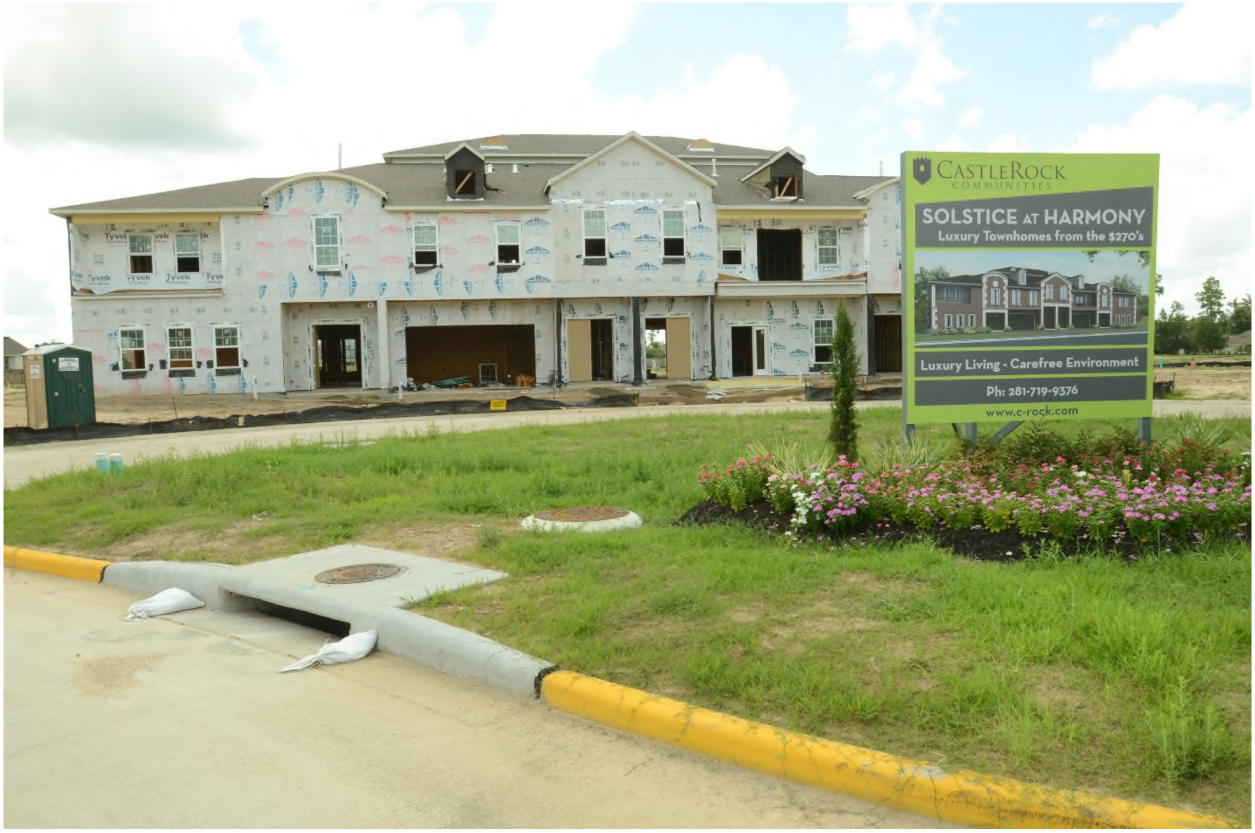





NO PARKING
Darling
SOLD
Darling
HOMES
www.darlinghomes.com


SOLD
PERRY
HOMES


SOLD
HIGHLAND
HOMES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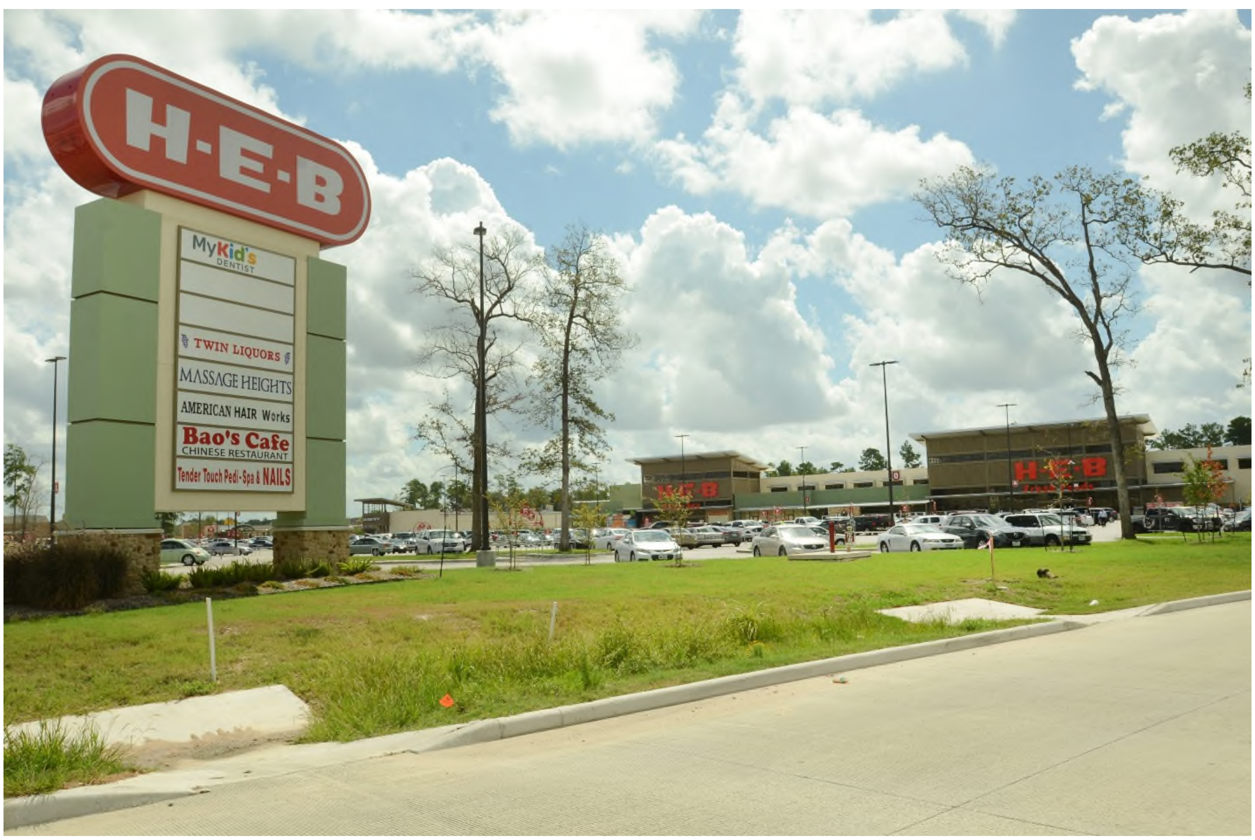
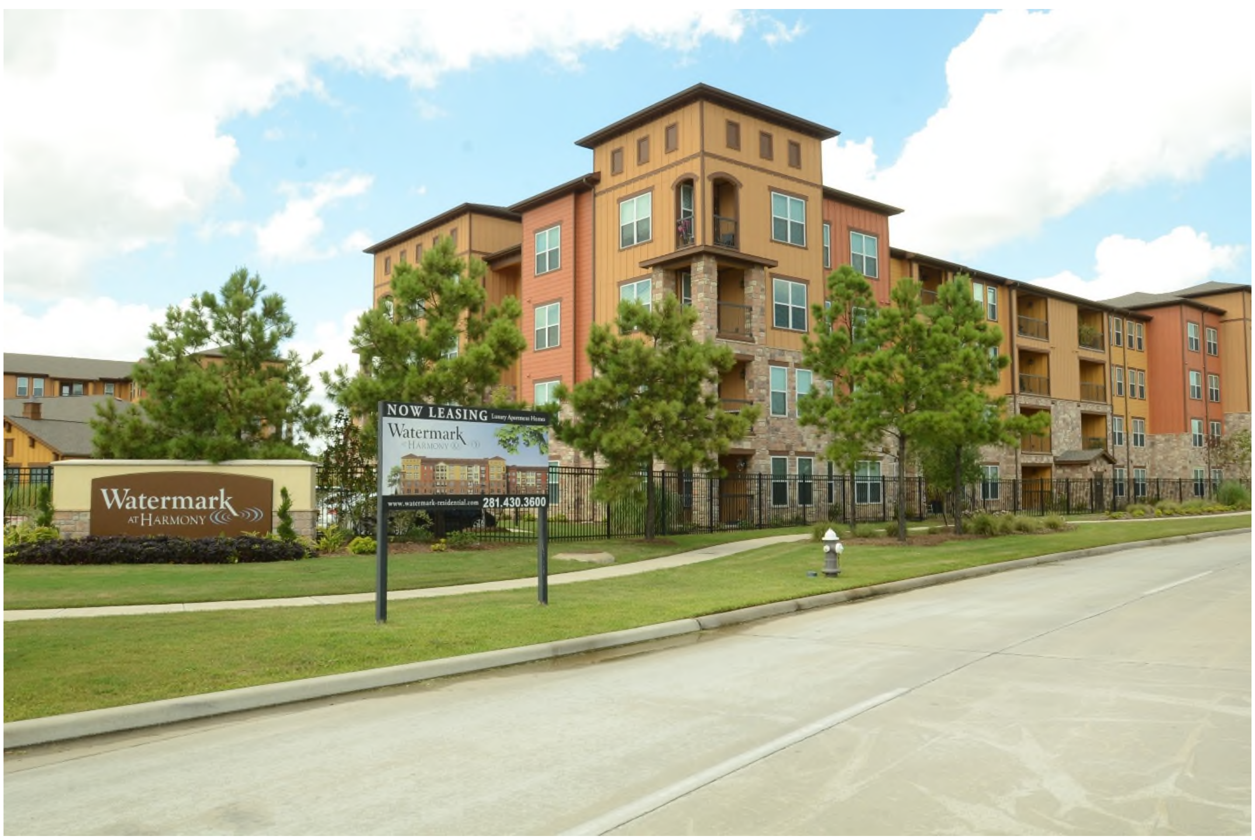

H-E-B
MyKid's
DENTIST
TWIN LIQUORS
MASSAGE HEIGHTS
AMERICAN HAIR Works
Bao's Cafe
CHINESE RESTAURANT
Tender Touch Pedi-Spa & NAILS


Texas Children's
Pediatrics
3515


SONIC
America's Drive-In


BROADSTONE
HARMONY
2625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APPENDIX A

Auditor’s Report and Financial Statements of the District
for the year ended June 30, 2015

Montgomery County Municipal Utility District No. 119

Montgomery County, Texas

Independent Auditor's Report and Financial Statements

June 30, 2015

BKD LLP
CPAs & Advisors

Montgomery County Municipal Utility District No. 119
June 30, 2015

Contents

BKD LLP
CPAs & Advisors
2800 Post Oak Boulevard, Suite 3200 // Houston, TX 77056-6167
713.499.4600 // fax 713.499.4699 // bkd.com

Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 119
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities of Montgomery County Municipal Utility District No. 119 (the District), which are comprised of a statement of net position as of June 30, 2015, and a statement of activities for the year then ended; as well as the accompanying financial statements of each major fund, which for governmental funds are comprised of a balance sheet as of June 30, 2015, and a statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
November 10, 2015

Montgomery County Municipal Utility District No. 119
Management's Discussion and Analysis
June 30, 2015

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. 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 or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2015	2014
Current and other assets	$ 2,974,290	$ 1,744,922
Capital assets	31,701,466	25,084,805
Total assets	$ 34,675,756	$ 26,829,727
Long-term liabilities	$ 37,776,384	$ 29,450,530
Other liabilities	710,935	402,389
Total liabilities	38,487,319	29,852,919
Net position:		
Net investment in capital assets	(5,422,161)	(4,158,599)
Restricted	439,507	203,681
Unrestricted	1,171,091	931,726
Total net position	$ (3,811,563)	$ (3,023,192)

The total net position of the District decreased by $788,371, or about 26 percent. This decrease in net position is primarily due to depreciation expense on the District's capital assets. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2015	2014
Revenues:		
Property taxes	$ 1,452,061	$ 952,674
Charges for services	1,084,067	509,233
Other revenues	636,253	315,531
Total revenues	3,172,381	1,777,438

Summary of Changes in Net Position (Continued)

	2015	2014
Expenses:		
Services	$ 2,232,166	$ 1,166,944
Depreciation	689,261	431,989
Debt service	1,039,325	634,556
Total expenses	3,960,752	2,233,489
Change in net position	(788,371)	(456,051)
Net position, beginning of year	(3,023,192)	(2,567,141)
Net position, end of year	$ (3,811,563)	$ (3,023,192)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2015, were $2,370,795, an increase of $973,054 from the prior year.

The general fund's fund balance increased by $221,633. This was primarily related to tap connection revenues exceeding related tap connection expenditures.

The special revenue fund's fund balance remained the same, as all expenditures were billed to participants.

The debt service fund's fund balance increased by $360,955 due to proceeds received from the sale of bonds and property tax revenues in excess of bond principal and interest requirements.

The capital projects fund's fund balance increased by $390,466. This increase was primarily due to proceeds received from the sale of the District's Series 2014 bonds, Series 2015 Road bonds and Series 2015 bond anticipation note being greater than capital outlay expenditures and principal retirement and interest on the Series 2014 bond anticipation note.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to service and regional water fee revenues and groundwater fee and repairs and maintenance expenditures being greater than anticipated. In addition, capital outlay expenditures, developer advances and an interfund transfer were not budgeted. The fund balance as of June 30, 2015, was expected to be $1,075,106 and the actual end-of-year fund balance was $1,109,314.

Montgomery County Municipal Utility District No. 119
Management's Discussion and Analysis (Continued)
June 30, 2015

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	2015	2014
Land and improvements	$ 8,321,433	$ 5,831,365
Construction in progress	1,600,719	405,683
Water facilities	5,229,422	4,523,159
Wastewater facilities	6,476,397	6,045,910
Drainage facilities	4,808,898	4,503,444
Roads and paving	3,711,035	2,154,136
Recreational facilities	1,553,562	1,621,108
Total capital assets	$ 31,701,466	$ 25,084,805

During the current year, additions to capital assets were as follows:

Construction in progress related to construction of water, sewer and drainage facilities to serve Rayford Road extension, Phase II	$ 1,600,719
Clearing and grubbing for Rayford Road extension, contract Nos. 1, 2, 4 and 5	359,123
Phase 1A drainage channel contract No. 1 mass grading	176,186
Construction of water, sewer and drainage facilities for Waterbend Cove Drive	45,480
26.64-acre drainage channel site	728,875
2.90-acre right of way related to Rayford Road extension	330,723
3.13-acre right of way related to Discovery Creek Boulevard and Rayford Road	375,242
18.354-acre various right of ways	578,820
Construction of water, sewer and drainage facilities for Rayford Road extension	42,792
Construction of water, sewer and drainage facilities for Discovery Creek Boulevard and Rayford Road	39,188
Construction of water, sewer and drainage facilities for Canyon Lakes at Spring Trails, Section 4	28,245
Construction of water, sewer and drainage facilities for Canyon Lakes at Spring Trails, Section 1, partial replat No. 1 and extension	787,869
Water plant No. 1, Phase 2, expansion	648,670
Lift station No. 1 expansion	85,073
0.2 MGD interim wastewater treatment plant expansion	163,286
Dual 12-inch forcemains	16,202
Paving related to Discovery Creek Boulevard and Rayford Road	35,020
Paving related to Rayford Road extension	289,789
Paving related to Tara Springs Lane extension	38,872
Construction of the Rayford Road bridge	682,598

Construction of traffic signal at Riley Fuzzel and Rayford Road	$	342
Paving related to Rayford Road extension from Discovery Creek Boulevard to Waterbend Cove		312,772
Total additions to capital assets	$	7,365,886

Developers within the District have constructed water, sewer, drainage, road and recreational facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. At June 30, 2015, a liability for developer-constructed capital assets of $12,164,790 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended June 30, 2015, are summarized as follows:

Long-term debt payable, beginning of year	$	29,450,530
Increases in long-term debt		18,148,593
Decreases in long-term debt		(9,822,739)
Long-term debt payable, end of year	$	37,776,384

At June 30, 2015, the District had $161,985,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District. The District also had $19,350,000 and $9,850,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving recreational and road facilities, respectively, within the District.

The District's bonds carry an underlying rating of "Baa2" from Moody's Investors Service. The Series 2014 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2015 Road bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City for full purposes without the District's consent, except as set forth below.

Strategic Partnership Agreement

Effective November 16, 2012, the District entered into a Strategic Partnership Agreement (the Agreement) with the City, which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years from the effective date of the Agreement, at which time the City has the option to annex the District if it chooses to do so.

Subsequent Event

On October 5, 2015, the District awarded the sale of its Series 2015A unlimited tax bonds in the amount of $12,575,000 at a net effective interest rate of approximately 3.66 percent. The bonds were sold to finance construction projects within the District.

Contingencies

Developers of the District are constructing water, sewer and drainage facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bonds sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately $12,983,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Montgomery County Municipal Utility District No. 119

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2015

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets							
Cash	$ 1,045,266	$ 16,099	$ 34,905	$ 452,577	$ 1,548,847	$ -	$ 1,548,847
Short-term investments	216,694	-	782,539	-	999,233	-	999,233
Receivables:							
Property taxes	1,737	-	2,107	-	3,844	-	3,844
Service accounts	102,038	-	-	-	102,038	-	102,038
Accrued penalty and interest	-	-	-	-	-	591	591
Interfund receivable	10,737	19,307	-	-	30,044	(30,044)	-
Due from others	161,412	-	-	-	161,412	-	161,412
Prepaid expenditures	65,465	12,225	-	-	77,690	60,040	137,730
Due from participants	-	20,595	-	-	20,595	-	20,595
Capital assets (net of accumulated depreciation):							
Land and improvements	-	-	-	-	-	8,321,433	8,321,433
Construction in progress	-	-	-	-	-	1,600,719	1,600,719
Infrastructure	-	-	-	-	-	16,514,718	16,514,718
Roads and paving	-	-	-	-	-	3,711,034	3,711,034
Recreational facilities	-	-	-	-	-	1,553,562	1,553,562
Total assets	$ 1,603,349	$ 68,226	$ 819,551	$ 452,577	$ 2,943,703	$ 31,732,053	$ 34,675,756

Montgomery County Municipal Utility District No. 119
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
June 30, 2015

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	$ 222,549	$ 24,613	$ 163	$ 1,053	$ 248,378	$ -	$ 248,378
Accrued interest payable	-	-	1,594	-	1,594	171,915	173,509
Retainage payable	80,036	-	-	-	80,036	-	80,036
Customer deposits	109,623	-	-	-	109,623	-	109,623
Operating deposits	3,900	38,606	-	-	42,506	-	42,506
Due to others	25,083	-	-	-	25,083	-	25,083
Unearned tap connection fees	31,800	-	-	-	31,800	-	31,800
Interfund payable	19,307	-	10,737	-	30,044	(30,044)	-
Long-term liabilities:							
Due within one year	-	-	-	-	-	380,000	380,000
Due after one year	-	-	-	-	-	37,396,384	37,396,384
Total liabilities	492,298	63,219	12,494	1,053	569,064	37,918,255	38,487,319
Deferred Inflows of Resources							
Deferred property tax revenues	1,737	0	2,107	0	3,844	(3,844)	0
Fund Balances/Net Position							
Fund balances:							
Nonspendable, prepaid expenditures	65,465	-	-	-	65,465	(65,465)	-
Restricted:							
Utility bonds	-	-	804,950	-	804,950	(804,950)	-
Water, sewer and drainage	-	-	-	328,108	328,108	(328,108)	-
Roads	-	-	-	123,416	123,416	(123,416)	-
Committed, wastewater collection and distribution	-	5,007	-	-	5,007	(5,007)	-
Unassigned	1,043,849	-	-	-	1,043,849	(1,043,849)	-
Total fund balances	1,109,314	5,007	804,950	451,524	2,370,795	(2,370,795)	0
Total liabilities, deferred inflows of resources and fund balances	$ 1,603,349	$ 68,226	$ 819,551	$ 452,577	$ 2,943,703		
Net position:							
Net investment in capital assets						(5,422,161)	(5,422,161)
Restricted for plant operations						5,007	5,007
Restricted for debt service						433,428	433,428
Restricted for capital projects						1,072	1,072
Unrestricted						1,171,091	1,171,091
Total net position						$ (3,811,563)	$ (3,811,563)

Montgomery County Municipal Utility District No. 119

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

Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	$ 649,061	$ -	$ 800,083	$ -	$ 1,449,144	$ 2,917	$ 1,452,061
Water service	264,301	-	-	-	264,301	-	264,301
Sewer service	369,689	374,789	-	-	744,478	(273,630)	470,848
Regional water fee	302,208	-	-	-	302,208	-	302,208
Bulk water and sewer sales	46,710	-	-	-	46,710	-	46,710
Penalty and interest	13,741	-	2,415	-	16,156	422	16,578
Tap connection and inspection fees	392,503	-	-	-	392,503	-	392,503
Interest income	1,426	20	709	704	2,859	-	2,859
Other income	-	-	140	-	140	-	140
Developer contribution	-	-	-	-	-	224,173	224,173
Total revenues	2,039,639	374,809	803,347	704	3,218,499	(46,118)	3,172,381
Expenditures/Expenses							
Service operations:							
Purchased services	273,630	-	-	-	273,630	(273,630)	-
Groundwater fees	313,704	-	-	-	313,704	-	313,704
Professional fees	276,016	5,372	-	-	281,388	237,480	518,868
Contracted services	207,910	22,762	19,803	-	250,475	5,240	255,715
Utilities	92,490	54,279	-	-	146,769	-	146,769
Repairs and maintenance	411,308	101,600	-	-	512,908	-	512,908
Other expenditures	72,780	9,896	1,843	207	84,726	30,848	115,574
Tap connections	187,728	-	-	-	187,728	-	187,728
Lease payments	-	180,900	-	-	180,900	-	180,900
Capital outlay	1,687,060	-	-	9,198,241	10,885,301	(10,885,301)	-
Depreciation	-	-	-	-	-	689,261	689,261
Debt service:							
Principal retirement	-	-	230,000	2,975,000	3,205,000	(3,205,000)	-
Interest and fees	-	-	442,042	11,920	453,962	79,929	533,891
Debt issuance costs	-	-	-	462,052	462,052	43,382	505,434
Total expenditures/expenses	3,522,626	374,809	693,688	12,647,420	17,238,543	(13,277,791)	3,960,752
Excess (Deficiency) of Revenues Over Expenditures	(1,482,987)	0	109,659	(12,646,716)	(14,020,044)	13,231,673	

See Notes to Financial Statements

Montgomery County Municipal Utility District No. 119

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

Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)							
Interfund transfers in (out)	$ 43,382	$ -	$ -	$ (43,382)	$ -	$ -	
Repayment of developer advances	-	-	-	(711,265)	(711,265)	711,265	
Developer advances received	1,661,238	-	-	-	1,661,238	(1,661,238)	
General obligation bonds issued	-	-	251,296	7,333,704	7,585,000	(7,585,000)	
Discount on debt issued	-	-	-	(186,875)	(186,875)	186,875	
Bond anticipation note issued	-	-	-	6,645,000	6,645,000	(6,645,000)	
Total other financing sources	1,704,620	0	251,296	13,037,182	14,993,098	(14,993,098)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	221,633	-	360,955	390,466	973,054	(973,054)	
Change in Net Position						(788,371)	$ (788,371)
Beginning of year	887,681	5,007	443,995	61,058	1,397,741	-	(3,023,192)
End of year	$ 1,109,314	$ 5,007	$ 804,950	$ 451,524	$ 2,370,795	$ 0	$ (3,811,563)

Montgomery County Municipal Utility District No. 119
Notes to Financial Statements
June 30, 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Montgomery County Municipal Utility District No. 119 (the District) was created by passage of House Bill 4079 passed by the 80th Legislature of the State of Texas on June 15, 2007. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, recreational and road facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Special Revenue Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant fees.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred inflows of resources.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

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

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2015, include collections during the current period or within 60 days of year-end related to the 2014 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2015, the 2014 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of $5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Roads and paving	10-25
Recreational facilities	10-25

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and therefore are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

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

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$ 31,701,466
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	3,844
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	591
Prepaid bond issuance costs are not expensed in the government-wide financial statements until the related bond sale occurs.	60,040
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(171,915)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	(37,776,384)
Adjustment to fund balances to arrive at net position.	$ (6,182,358)

Montgomery County Municipal Utility District No. 119

Notes to Financial Statements

June 30, 2015

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	$	973,054
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation and noncapitalized expenditures in the current year.		9,922,472
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.		(949,973)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		186,875
Governmental funds report proceeds from the sale of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.		(11,025,000)
Revenues that do not provide current financial resources are not reported as revenues in the funds, but are reported as revenues in the statement of activities.		227,512
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(123,311)
Change in net position of governmental activities.	$	(788,371)

Montgomery County Municipal Utility District No. 119
Notes to Financial Statements
June 30, 2015

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

As of June 30, 2015, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and 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, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

At June 30, 2015, the District had the following investments and maturities:

		Maturities in Years			
Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
TexPool	$ 999,233	$ 999,233	$ 0	$ 0	$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2015, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheet at June 30, 2015, as follows:

Carrying value:	
Deposits	$ 1,548,847
Investments	999,233
Total	$ 2,548,080

Note 3: Capital Assets

A summary of changes in capital assets for the year ended June 30, 2015, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions/ Reclassi- fications	Retirements/ Reclassi- fications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	$ 5,831,365	$ 2,550,032	$ (59,964)	$ 8,321,433
Construction in progress	405,683	1,600,719	(405,683)	1,600,719
Total capital assets, non-depreciable	6,237,048	4,150,751	(465,647)	9,922,152
Capital assets, depreciable:				
Water production and distribution facilities	5,082,336	839,213	-	5,921,549
Wastewater collection and treatment facilities	6,536,497	589,779	-	7,126,276
Drainage facilities	5,020,132	426,750	-	5,446,882
Roads and paving	2,415,321	1,359,393	405,683	4,180,397
Recreational facilities	1,688,654	-	-	1,688,654
Total capital assets, depreciable	20,742,940	3,215,135	405,683	24,363,758

Montgomery County Municipal Utility District No. 119

Notes to Financial Statements

June 30, 2015

Governmental Activities (Continued)	Balances, Beginning of Year	Additions/ Reclassi- fications	Retirements/ Reclassi- fications	Balances, End of Year
Less accumulated depreciation:				
Water production and distribution facilities	$ (559,177)	$ (132,950)	$ -	$ (692,127)
Wastewater collection and treatment facilities	(490,587)	(159,292)	-	(649,879)
Drainage facilities	(516,688)	(121,296)	-	(637,984)
Roads and paving	(261,185)	(208,177)	-	(469,362)
Recreational facilities	(67,546)	(67,546)	-	(135,092)
Total accumulated depreciation	(1,895,183)	(689,261)	0	(2,584,444)
Total governmental activities, net	$ 25,084,805	$ 6,676,625	$ (59,964)	$ 31,701,466

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	$ 9,715,000	$ 7,585,000	$ 230,000	$ 17,070,000	$ 380,000
Less discounts on bonds	255,631	186,875	7,700	434,806	-
	9,459,369	7,398,125	222,300	16,635,194	380,000
Bond anticipation notes	2,975,000	6,645,000	2,975,000	6,645,000	-
Due to developers	15,665,582	2,444,230	5,945,022	12,164,790	-
Developer advances	1,350,579	1,661,238	680,417	2,331,400	-
Total governmental activities long-term liabilities	$ 29,450,530	$ 18,148,593	$ 9,822,739	$ 37,776,384	$ 380,000

General Obligation Bonds

	Series 2012	Road Series 2012
Amounts outstanding, June 30, 2015	$2,825,000	$2,495,000
Interest rates	2.00% to 4.30%	2.00% to 4.00%
Maturity dates, serially beginning/ending	April 1, 2016/2039	April 1, 2016/2039
Interest payment dates	October 1/April 1	October 1/April 1
Callable dates*	April 1, 2019	April 1, 2019

	Series 2013	Series 2014
Amounts outstanding, June 30, 2015	$4,165,000	$4,560,000
Interest rates	3.00% to 5.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	April 1, 2016/2040	April 1, 2016/2040
Interest payment dates	October 1/April 1	October 1/April 1
Callable dates*	April 1, 2021	April 1, 2022

	Road Series 2015
Amount outstanding, June 30, 2015	$3,025,000
Interest rates	2.00% to 3.75%
Maturity dates, serially beginning/ending	April 1, 2016/2040
Interest payment dates	October 1/April 1
Callable date*	April 1, 2022

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at June 30, 2015.

Year	Principal	Interest	Total
2016	$ 380,000	$ 627,132	$ 1,007,132
2017	395,000	626,577	1,021,577
2018	405,000	617,577	1,022,577
2019	420,000	607,952	1,027,952
2020	460,000	597,602	1,057,602
2021-2025	2,575,000	2,781,814	5,356,814
2026-2030	3,210,000	2,303,595	5,513,595
2031-2035	4,110,000	1,618,273	5,728,273
2036-2040	5,115,000	666,250	5,781,250
Total	$ 17,070,000	$ 10,446,772	$ 27,516,772

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted:	
Water, sanitary sewer and drainage facilities	$ 173,665,000
Road facilities	15,570,000
Recreational facilities	19,350,000
Refunding bonds	208,585,000
Bonds sold:	
Water, sanitary sewer and drainage facilities	11,680,000
Road facilities	5,720,000

Due to Developers

Developers of the District have constructed utilities and roads and recreational facilities on behalf of the District. The District's engineer estimates reimbursable costs for completed projects are $12,164,790. The District has agreed to reimburse these amounts, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

Since inception, developers have advanced $2,331,400 to the District for operations (net of repayments). The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Bond Anticipation Note

On March 11, 2015, the District issued its Series 2015 Bond Anticipation Note (the Note) in the amount of $6,645,000. The Note bears interest at the rate of 1.05 percent and matures March 10, 2016, unless called for early redemption. The Note is a special limited obligation of the District and is payable solely from proceeds from the sale of bonds and, therefore, has been excluded from the current portion of long-term liabilities.

Note 5: Significant Bond Order and Commission Requirements

A. The Bond Orders require that the District levy and collect an ad valorem debt service tax rate sufficient to pay interest and principal on bonds when due. During the year ended June 30, 2015, the District levied an ad valorem debt service tax at the rate of $0.8000 per $100 of assessed valuation, which resulted in a tax levy of $802,994 on the taxable valuation of $100,373,159 for the 2014 tax year. The interest requirements to be paid from the tax revenues and available resources are $786,067 of which $476,486 has been paid and $309,581 is due October 1, 2015.

B. In accordance with the Road Series 2012, Series 2013, Series 2014 and Road Series 2015 Bond Orders, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of the bond interest during the construction period. The bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	$ 146,643
Additions--Interest appropriated from bond proceeds:	
Series 2014	155,649
Road Series 2015	95,648
	251,297
Accrued interest received on bonds at date of sale:	
Series 2014	1,297
Road Series 2015	1,594
	2,891
Deductions--Appropriation from bond interest paid:	
Road Series 2012	19,361
Series 2013	127,282
Series 2014	51,883
	198,526
Bond interest reserve, end of year	$ 202,305

C. During the current year, the District transferred $43,382 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6: Maintenance Taxes

At an election held November 6, 2007, voters authorized a general maintenance tax not to exceed $1.50 per $100 of valuation on all property within the District subject to taxation. During the year ended June 30, 2015, the District levied an ad valorem maintenance tax for general maintenance at the rate of $0.6500 per $100 of assessed valuation, which resulted in a tax levy of $652,433 on the taxable valuation of $100,373,159 for the 2014 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held November 6, 2007, voters authorized a recreational facility maintenance tax not to exceed $0.10 per $100 of valuation on all property within the District subject to taxation. During the year ended June 30, 2015, the District did not levy an ad valorem recreational facility maintenance tax.

Note 7: Groundwater Reduction Plan Agreement

The District is within the boundaries of the Lone Star Groundwater Conservation District (the Conservation District), which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to an annual permit issued by the Conservation District. In 2006, the Conservation District adopted a district regulatory plan to reduce groundwater withdrawal through the conversion to surface water, which plan has been amended from time to time.

Note 8: Water Resources Assessment Agreement

The District has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply and Related Goods and Services (GRP Contract) with the San Jacinto River Authority (the Authority) in order to meet the Conservation District's requirements. As a participant in the Authority's Groundwater Reduction Plan, the District has complied with all current Conservation District requirements for surface water conversion and, effective August 1, 2010, is obligated to pay to the Authority a groundwater withdrawal fee for all groundwater produced and used by the District, and will be required to pay a water purchase fee for any water actually purchased from the Authority in the future. During the year ended June 30, 2015, the District incurred $313,704 in fees for groundwater withdrawal.

Note 9: Waste Disposal Agreement

The District and Montgomery County Municipal Utility District No. 94 (District No. 94) entered into an agreement (the Waste Agreement) in December 2007 to construct and operate Phase I of the Permanent Wastewater Treatment Plant (the Permanent Plant). The Waste Agreement was amended (the amendment) on September 23, 2008, to provide that an interim wastewater treatment plant, constructed pursuant to the terms of a waste disposal lease agreement, would be converted into Phase I of the Permanent Plant to be owned equally (50 percent each) by the District and District No. 94. The amendment also provides that District No. 94 is to construct an expansion as Phase II of the Permanent Plant and, upon completion of the expansion, the District will own 28.17 percent of the Permanent Plant and District No. 94 will own 71.83 percent. Said expansion was completed in a prior year.

During prior years, the Waste Agreement was amended (the second amendment), due to the District's desire to purchase 9,000 gallons per day (gpd) capacity in the Permanent Plant, effective the date of the second amendment, and amended again (the third amendment), which provides that the District is to construct a 200,000 gpd expansion as Phase III of the Permanent Plant and become the operating district of the Permanent Plant, effective January 1, 2014. Upon completion of Phase III and as of June 30, 2015, the District owns 55.68 percent of the Permanent Plant and District No. 94 owns 44.32 percent.

Under the terms of the amended agreement, each district is also responsible for constructing a sanitary sewer collection system at its own expense, and each district is responsible for maintaining its own system. The construction costs for the Phase I Permanent Plant were based on a pro rata share of capacity in said Phase I, or 50 percent for each district.

For any future expansion, once the engineer has provided a preliminary report of construction and design costs to both parties and the parties have agreed to participate in the financing and construction of such expansions, each district will deposit funds or other acceptable financing arrangements into a special Plant Expansion Account that will be maintained by the operating district. Once the design phase is complete, the operating district will initiate construction of the expansion of the plant. Upon completion of each expansion of the plant, each district's pro rata share will be recalculated to reflect any changes to capacity.

The District has established a Special Revenue Fund (SRF) that will be maintained and held in the name of the District. All funds received for operation and maintenance expenditures are placed in the SRF. Fixed costs include legal, renewal of permits, licenses, bookkeeping, etc. and are billed to each district according to their pro rata share of the plant. Variable costs are a fraction of all other operation and maintenance costs determined by the number of active connections of each district. In order for the District to have funds available to make timely payments of all expenses related to the operation and maintenance of the plant, each district has provided funds for an operating reserve based on the number of actual or projected number of active connections. If the District determines that the reserve is not sufficient to pay for the operation and maintenance expenditures on a timely basis, the operating reserve may be increased up to a maximum number of four months calculated and paid in the same manner as above.

In conjunction with the construction of the Phase III expansion, the District entered into a lease of the 200,000-gpd wastewater treatment plant. The lease requires monthly payments of $12,225, for a term of 48 months, expiring April 30, 2018. Future minimum lease payments are: 2016 - $146,700; 2017 - $146,700; 2018 - $110,025. After expiration of the initial term, the lease may be extended on a month-to-month basis, with monthly payments of $9,200. The District recorded expenditures of $146,700 under the terms of this lease.

Note 10: Strategic Partnership Agreement

Effective November 16, 2012, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed certain tracts of land (the tracts) within the boundaries of the District for limited purposes. The District continues to exercise all power and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tracts. As consideration for the sales tax payments by the City, the District agrees to continue to develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years from the effective date of the Agreement. During the current year, the District had no revenue related to the Agreement.

Note 11: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 12: Subsequent Event

On October 5, 2015, the District awarded the sale of its Series 2015A unlimited tax bonds in the amount of $12,575,000 at a net effective interest rate of approximately 3.66 percent. The bonds were sold to finance construction projects within the District.

Note 13: Contingencies

Developers of the District are constructing water, sewer and drainage facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bonds sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately $12,983,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Required Supplementary Information

Montgomery County Municipal Utility District No. 119

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2015

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 589,600	$ 649,061	$ 59,461
Water service	115,000	264,301	149,301
Sewer service	238,400	369,689	131,289
Regional water fee	70,770	302,208	231,438
Bulk water/sewer sales	-	46,710	46,710
Penalty and interest	5,000	13,741	8,741
Tap connection and inspection fees	367,800	392,503	24,703
Investment income	1,200	1,426	226
Total revenues	1,387,770	2,039,639	651,869
Expenditures			
Service operations:			
Purchased services	285,550	273,630	11,920
Groundwater fee	64,700	313,704	(249,004)
Professional fees	243,000	276,016	(33,016)
Contracted services	171,600	207,910	(36,310)
Utilities	44,000	92,490	(48,490)
Repairs and maintenance	147,950	411,308	(263,358)
Other expenditures	63,545	72,780	(9,235)
Tap connections	180,000	187,728	(7,728)
Capital outlay	-	1,687,060	(1,687,060)
Total expenditures	1,200,345	3,522,626	(2,322,281)
Excess (Deficiency) of Revenues Over Expenditures	187,425	(1,482,987)	(1,670,412)
Other Financing Sources			
Interfund transfers in	-	43,382	43,382
Developer advances	-	1,661,238	1,661,238
Total other financing sources	0	1,704,620	1,704,620
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	187,425	221,633	34,208
Fund Balance, Beginning of Year	887,681	887,681	-
Fund Balance, End of Year	$ 1,075,106	$ 1,109,314	$ 34,208

Montgomery County Municipal Utility District No. 119

Budgetary Comparison Schedule – Special Revenue Fund

Year Ended June 30, 2015

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sewer service	$ 443,235	$ 374,789	$ (68,446)
Interest income	-	20	20
Total revenues	443,235	374,809	(68,426)
Expenditures			
Service operations:			
Professional fees	21,000	5,372	15,628
Contracted services	26,200	22,762	3,438
Utilities	85,135	54,279	30,856
Repairs and maintenance	119,000	101,600	17,400
Other expenditures	11,000	9,896	1,104
Lease payments	180,900	180,900	-
Total expenditures	443,235	374,809	68,426
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	5,007	5,007	-
Fund Balance, End of Year	$ 5,007	$ 5,007	$ 0

Montgomery County Municipal Utility District No. 119
Notes to Required Supplementary Information
June 30, 2015

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general and wastewater treatment plant funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the general fund and special revenue fund were not amended during fiscal 2015.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules - General Fund and Wastewater Treatment Plant funds present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

Montgomery County Municipal Utility District No. 119
Supplementary Schedules Included Within This Report
June 30, 2015

(Schedules included are checked or explanatory notes provided for omitted schedules.)

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 14-30

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-term Debt Service Requirements by Years

[X] Changes in Long-term Bonded Debt

[X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund

[X] Board Members, Key Personnel and Consultants

Montgomery County Municipal Utility District No. 119

Schedule of Services and Rates

Year Ended June 30, 2015

1. Services provided by the District:

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

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

__ Other ____

2. Retail service providers

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 Levels		
Water:	$ 22.50	10,000	N	$ 1.00	10,001	to	15,000
				$ 1.25	15,001	to	20,000
				$ 1.50	20,001	to	No Limit
Wastewater:	$ 52.38	0	Y				
Groundwater fees:	$ 2.53	1	N	$ 2.53	1	to	No Limit

Does the District employ winter averaging for wastewater usage? Yes __ No X

Total charges per 10,000 gallons usage (including fees): Water $ 47.80 Wastewater $ 52.38

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	648	638	x1.0	638
1"	2	2	x2.5	5
1 1/2"	5	5	x5.0	25
2"	17	17	x8.0	136
3"	-	-	x15.0	-
4"	3	3	x25.0	75
6"	2	2	x50.0	100
8"	2	2	x80.0	160
10"	-	-	x115.0	-
Total water	679	669		1,139
Total wastewater	655	645	x1.0	645

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	139,900
Gallons billed to customers:	133,221
Water accountability ratio (gallons billed/gallons pumped):	95.23%

*"ESFC" means equivalent single-family connections

Montgomery County Municipal Utility District No. 119

Schedule of General Fund Expenditures

Year Ended June 30, 2015

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 14,800	
Legal	178,143	
Engineering	83,073	
Financial advisor	-	276,016
Purchased Services for Resale		
Bulk water and wastewater service purchases		273,630
Groundwater Fee		313,704
Contracted Services		
Bookkeeping	11,440	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	45,942	57,382
Utilities		92,490
Repairs and Maintenance		411,308
Administrative Expenditures		
Directors' fees	9,300	
Office supplies	9,636	
Insurance	16,039	
Other administrative expenditures	37,805	72,780
Capital Outlay		
Capitalized assets	1,627,020	
Expenditures not capitalized	60,040	1,687,060
Tap Connection Expenditures		187,728
Solid Waste Disposal		150,528
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total expenditures		$ 3,522,626

Montgomery County Municipal Utility District No. 119

Schedule of Temporary Investments

June 30, 2015

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
TexPool	0.06%	Demand	$ 216,694	$ -
Debt Service Fund				
TexPool	0.06%	Demand	782,539	-
Totals			$ 999,233	$ 0

Montgomery County Municipal Utility District No. 119

Analysis of Taxes Levied and Receivable

Year Ended June 30, 2015

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 663	$ 264
Additions and corrections to prior years' taxes	(2,298)	(1,068)
Adjusted receivable, beginning of year	(1,635)	(804)
2014 Original Tax Levy	647,967	797,497
Additions and corrections	4,466	5,497
Adjusted tax levy	652,433	802,994
Total to be accounted for	650,798	802,190
Tax collections: Current year	(650,736)	(800,905)
Prior years	1,675	822
Receivable, end of year	$ 1,737	$ 2,107
Receivable, by Years		
2014	$ 1,697	$ 2,089
2012	40	18
Receivable, end of year	$ 1,737	$ 2,107

Montgomery County Municipal Utility District No. 119
Analysis of Taxes Levied and Receivable (Continued)
Year Ended June 30, 2015

	2014	2013	2012	2011
Property Valuations				
Land	$ 36,052,510	$ 29,928,850	$ 13,056,320	$ 12,850,880
Improvements	99,086,440	70,218,260	55,267,780	42,178,510
Personal property	498,214	235,852	196,748	133,320
Exemptions	(35,264,005)	(34,631,727)	(26,111,515)	(25,704,458)
Total property valuations	$ 100,373,159	$ 65,751,235	$ 42,409,333	$ 29,458,252
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.8000	$ 0.4600	$ 0.4600	$ -
Maintenance tax rates*	0.6500	0.9900	0.9900	1.4500
Total tax rates per $100 valuation	$ 1.4500	$ 1.4500	$ 1.4500	$ 1.4500
Tax Levy	$ 1,455,427	$ 953,416	$ 614,951	$ 427,183
Percent of Taxes Collected to Taxes Levied**	99%	100%	99%	100%

*Maximum tax rate approved by voters: $1.50 on November 6, 2007

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

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years

June 30, 2015

		Series 2012	
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2016	$ 50,000	$ 114,188	$ 164,188
2017	50,000	113,063	163,063
2018	50,000	111,813	161,813
2019	50,000	110,437	160,437
2020	75,000	108,937	183,937
2021	75,000	106,537	181,537
2022	75,000	103,988	178,988
2023	75,000	101,288	176,288
2024	75,000	98,400	173,400
2025	100,000	95,400	195,400
2026	100,000	91,400	191,400
2027	100,000	87,300	187,300
2028	100,000	83,200	183,200
2029	125,000	79,000	204,000
2030	125,000	73,750	198,750
2031	125,000	68,500	193,500
2032	150,000	63,187	213,187
2033	150,000	56,812	206,812
2034	175,000	50,437	225,437
2035	175,000	43,000	218,000
2036	175,000	35,475	210,475
2037	200,000	27,950	227,950
2038	225,000	19,350	244,350
2039	225,000	9,675	234,675
Totals	$ 2,825,000	$ 1,853,087	$ 4,678,087

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2015

	Road Series 2012		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2016	$ 100,000	$ 84,225	$ 184,225
2017	100,000	82,225	182,225
2018	100,000	80,225	180,225
2019	100,000	77,975	177,975
2020	100,000	75,475	175,475
2021	100,000	72,725	172,725
2022	100,000	69,725	169,725
2023	100,000	66,725	166,725
2024	100,000	63,600	163,600
2025	100,000	60,350	160,350
2026	100,000	56,975	156,975
2027	100,000	53,600	153,600
2028	100,000	50,100	150,100
2029	100,000	46,475	146,475
2030	105,000	42,850	147,850
2031	110,000	38,913	148,913
2032	110,000	34,650	144,650
2033	110,000	30,388	140,388
2034	110,000	26,125	136,125
2035	110,000	21,862	131,862
2036	110,000	17,600	127,600
2037	110,000	13,200	123,200
2038	110,000	8,800	118,800
2039	110,000	4,400	114,400
Totals	$ 2,495,000	$ 1,179,188	$ 3,674,188

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2015

	Series 2013		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2016	$ 80,000	$ 185,393	$ 265,393
2017	85,000	182,993	267,993
2018	90,000	180,443	270,443
2019	95,000	177,744	272,744
2020	100,000	174,894	274,894
2021	105,000	171,894	276,894
2022	110,000	168,744	278,744
2023	120,000	165,169	285,169
2024	125,000	160,969	285,969
2025	130,000	156,281	286,281
2026	140,000	151,081	291,081
2027	145,000	145,481	290,481
2028	155,000	139,319	294,319
2029	165,000	132,538	297,538
2030	175,000	125,113	300,113
2031	180,000	116,800	296,800
2032	190,000	108,250	298,250
2033	205,000	98,750	303,750
2034	215,000	88,500	303,500
2035	225,000	77,750	302,750
2036	240,000	66,500	306,500
2037	250,000	54,500	304,500
2038	265,000	42,000	307,000
2039	280,000	28,750	308,750
2040	295,000	14,750	309,750
Totals	$ 4,165,000	$ 3,114,606	$ 7,279,606

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2015

	Series 2014		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2016	$ 80,000	$ 155,649	$ 235,649
2017	85,000	154,048	239,048
2018	90,000	152,349	242,349
2019	95,000	150,548	245,548
2020	100,000	148,649	248,649
2021	110,000	146,399	256,399
2022	115,000	143,649	258,649
2023	120,000	140,486	260,486
2024	130,000	136,886	266,886
2025	135,000	132,986	267,986
2026	140,000	128,768	268,768
2027	150,000	124,393	274,393
2028	160,000	119,705	279,705
2029	170,000	114,705	284,705
2030	180,000	109,392	289,392
2031	190,000	103,768	293,768
2032	200,000	97,687	297,687
2033	210,000	91,088	301,088
2034	225,000	84,000	309,000
2035	235,000	75,000	310,000
2036	250,000	65,600	315,600
2037	265,000	55,600	320,600
2038	280,000	45,000	325,000
2039	295,000	33,800	328,800
2040	550,000	22,000	572,000
Totals	$ 4,560,000	$ 2,732,155	$ 7,292,155

Montgomery County Municipal Utility District No. 119
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2015

	Road Series 2015		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2016	$ 70,000	$ 87,677	$ 157,677
2017	75,000	94,248	169,248
2018	75,000	92,747	167,747
2019	80,000	91,248	171,248
2020	85,000	89,647	174,647
2021	85,000	87,948	172,948
2022	90,000	86,247	176,247
2023	95,000	84,223	179,223
2024	100,000	81,847	181,847
2025	105,000	79,348	184,348
2026	105,000	76,460	181,460
2027	110,000	73,310	183,310
2028	115,000	69,872	184,872
2029	120,000	66,279	186,279
2030	125,000	62,529	187,529
2031	130,000	58,153	188,153
2032	135,000	53,604	188,604
2033	140,000	48,879	188,879
2034	150,000	43,804	193,804
2035	155,000	38,366	193,366
2036	160,000	32,747	192,747
2037	170,000	26,828	196,828
2038	175,000	20,537	195,537
2039	185,000	14,063	199,063
2040	190,000	7,125	197,125
Totals	$ 3,025,000	$ 1,567,736	$ 4,592,736

Montgomery County Municipal Utility District No. 119
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2015

	Annual Requirements For All Series		
Due During Fiscal Years Ending June 30	**Total Principal Due**	**Total Interest Due**	**Total Principal and Interest Due**
2016	$ 380,000	$ 627,132	$ 1,007,132
2017	395,000	626,577	1,021,577
2018	405,000	617,577	1,022,577
2019	420,000	607,952	1,027,952
2020	460,000	597,602	1,057,602
2021	475,000	585,503	1,060,503
2022	490,000	572,353	1,062,353
2023	510,000	557,891	1,067,891
2024	530,000	541,702	1,071,702
2025	570,000	524,365	1,094,365
2026	585,000	504,684	1,089,684
2027	605,000	484,084	1,089,084
2028	630,000	462,196	1,092,196
2029	680,000	438,997	1,118,997
2030	710,000	413,634	1,123,634
2031	735,000	386,134	1,121,134
2032	785,000	357,378	1,142,378
2033	815,000	325,917	1,140,917
2034	875,000	292,866	1,167,866
2035	900,000	255,978	1,155,978
2036	935,000	217,922	1,152,922
2037	995,000	178,078	1,173,078
2038	1,055,000	135,687	1,190,687
2039	1,095,000	90,688	1,185,688
2040	1,035,000	43,875	1,078,875
Totals	$ 17,070,000	$ 10,446,772	$ 27,516,772

Montgomery County Municipal Utility District No. 119

Changes in Long-term Bonded Debt

Year Ended June 30, 2015

	Bond		
	Series 2012	Road Series 2012	Series 2013
Interest rates	2.00% to 4.30%	2.00% to 4.00%	3.00% to 5.00%
Dates interest payable	October 1/ April 1	October 1/ April 1	October 1/ April 1
Maturity dates	April 1, 2016/2039	April 1, 2016/2039	April 1, 2016/2040
Bonds outstanding, beginning of current year	$ 2,875,000	$ 2,595,000	$ 4,245,000
Bonds sold during current year	-	-	-
Retirements, principal	50,000	100,000	80,000
Bonds outstanding, end of current year	$ 2,825,000	$ 2,495,000	$ 4,165,000
Interest paid during current year	$ 115,188	$ 86,225	$ 187,794

Paying agent's name and address:

Series 2012	-	Amegy Bank National Association, Houston, Texas
Road Series 2012	-	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2013	-	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014	-	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Road Series 2015	-	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Park Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	$ 173,665,000	$ 19,350,000	$ 15,570,000	$ 208,585,000
Amount issued	$ 11,680,000	$ -	$ 5,720,000	$ -
Remaining to be issued	$ 161,985,000	$ 19,350,000	$ 9,850,000	$ 208,585,000

Debt service fund cash and temporary investment balances as of June 30, 2015:	$ 817,444
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,100,671

Issues

Series 2014		Road Series 2015		Totals	
2.00% to 4.00%		2.00% to 3.75%			
October 1/ April 1		October 1/ April 1			
April 1, 2016/2040		April 1, 2016/2040			
$	-	$	-	$	9,715,000
	4,560,000		3,025,000		7,585,000
	-		-		230,000
$	4,560,000	$	3,025,000	$	17,070,000
$	51,883	$	0	$	441,090

Montgomery County Municipal Utility District No. 119
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended June 30,

	Amounts				
	2015	**2014**	**2013**	**2012**	**2011**
General Fund					
Revenues					
Property taxes	$ 649,061	$ 650,432	$ 419,310	$ 427,087	$ 277,880
Water service	264,301	110,607	100,294	87,698	58,832
Sewer service	369,689	246,939	134,298	97,908	73,443
Regional water fee	302,208	81,612	48,199	23,871	8,656
Bulk water sales	46,710	-	-	-	4,655
Penalty and interest	13,741	5,524	3,670	11,144	3,170
Tap connection and inspection fees	392,503	304,893	306,329	52,151	58,260
Interest income	1,426	1,245	405	206	152
Other income	-	-	37,051	115	21,093
Total revenues	2,039,639	1,401,252	1,049,556	700,180	506,141
Expenditures					
Service operations:					
Purchased services	273,630	150,186	36,849	25,848	49,772
Groundwater fees	313,704	90,472	48,318	27,203	15,490
Professional fees	276,016	211,568	162,521	192,644	96,605
Contracted services	207,910	137,084	77,695	78,941	59,570
Utilities	92,490	50,504	36,306	37,565	29,413
Repairs and maintenance	411,308	140,070	120,120	94,153	136,496
Other expenditures	72,780	56,925	49,458	46,703	51,284
Tap connections	187,728	135,183	64,089	30,563	24,733
Capital outlay	1,687,060	1,007,636	-	143,601	15,206
Total expenditures	3,522,626	1,979,628	595,356	677,221	478,569
Excess (Deficiency) of Revenues Over Expenditures	(1,482,987)	(578,376)	454,200	22,959	27,572
Other Financing Sources (Uses)					
Interfund transfers in (out)	43,382	(17,232)	10,840	-	-
Developer advances	1,661,238	964,376	-	122,563	-
Total other financing sources	1,704,620	947,144	10,840	122,563	0
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	221,633	368,768	465,040	145,522	27,572
Fund Balance (Deficit), Beginning of Year	887,681	518,913	53,873	(91,649)	(119,221)
Fund Balance (Deficit), End of Year	$ 1,109,314	$ 887,681	$ 518,913	$ 53,873	$ (91,649)
Total Active Retail Water Connections	669	477	266	168	134
Total Active Retail Wastewater Connections	645	462	260	162	134

Percent of Fund Total Revenues				
2015	2014	2013	2012	2011
31.8 %	46.4 %	39.9 %	61.0 %	54.9 %
13.0	7.9	9.6	12.5	11.6
18.1	17.6	12.8	14.0	14.5
14.8	5.8	4.6	3.4	1.7
2.3	-	-	-	0.9
0.7	0.4	0.4	1.6	0.6
19.2	21.8	29.2	7.5	11.5
0.1	0.1	0.0	0.0	0.1
-	-	3.5	0.0	4.2
100.0	100.0	100.0	100.0	100.0
13.4	10.7	3.5	3.7	9.8
15.4	6.5	4.6	3.9	3.1
13.5	15.1	15.5	27.5	19.1
10.2	9.8	7.4	11.3	11.8
4.5	3.6	3.5	5.4	5.8
20.2	10.0	11.4	13.4	27.0
3.6	4.1	4.7	6.7	10.1
9.2	9.6	6.1	4.3	4.9
82.7	71.9	-	20.5	3.0
172.7	141.3	56.7	96.7	94.6
(72.7) %	(41.3) %	43.3 %	3.3 %	5.4 %

Montgomery County Municipal Utility District No. 119
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Three Years Ended June 30,

	Amounts		
	2015	2014	2013
Debt Service Fund			
Revenues			
Property taxes	$ 800,083	$ 302,221	194,831
Penalty and interest	2,415	2,230	2,403
Interest income	709	803	457
Other income	140	415	60
Total revenues	803,347	305,669	197,751
Expenditures			
Current:			
Professional fees	-	13	-
Contracted services	19,803	9,894	9,526
Other expenditures	1,843	1,312	1,127
Debt service:			
Principal retirement	230,000	100,000	-
Interest and fees	442,042	265,923	99,484
Total expenditures	693,688	377,142	110,137
Excess (Deficiency) of Revenues Over Expenditures	109,659	(71,473)	87,614
Other Financing Sources (Uses)			
Interfund transfers out	-	-	(7,965)
General obligation bonds issued	251,296	187,794	248,025
Total other financing sources	251,296	187,794	240,060
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	360,955	116,321	327,674
Fund Balance, Beginning of Year	443,995	327,674	-
Fund Balance, End of Year	$ 804,950	$ 443,995	327,674

Percent of Fund Total Revenues		
2015	2014	2013
99.6 %	98.9 %	98.6 %
0.3	0.7	1.2
0.1	0.3	0.2
0.0	0.1	0.0
100.0	100.0	100.0
-	0.0	-
2.5	3.2	4.8
0.2	0.4	0.6
28.6	32.8	-
55.0	87.0	50.3
86.3	123.4	55.7
13.7 %	(23.4) %	44.3 %

Montgomery County Municipal Utility District No. 119

Board Members, Key Personnel and Consultants

Year Ended June 30, 2015

Complete District mailing address:	Montgomery County Municipal Utility District No. 119 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		May 15, 2014
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Grady Hill	Elected 05/14-05/18	$ 2,250	$ 1,428	President
Justin Ramirez	Elected 05/14-05/18	1,350	427	Vice President
Jackie Bragg	Elected 05/12-05/16	1,800	673	Secretary
Todd E. Applegate	Elected 05/12-05/16	2,250	1,909	Assistant Secretary
James H. Ragan	Elected 05/14-05/18	1,650	475	Director

*Fees are the amounts actually paid to a director during the District's fiscal year.

Montgomery County Municipal Utility District No. 119
Board Members, Key Personnel and Consultants (Continued)
Year Ended June 30, 2015

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	05/27/08	$ 29,865	Auditor
First Southwest Company	09/11/12	226,305	Financial Advisor
FMatuska, Inc.	08/14/07	19,746	Bookkeeper
Jones & Carter, Inc.	02/24/09	163,192	Engineer
Thomas W. Lee, RTA	08/01/07	8,705	Tax Assessor/ Collector
Montgomery Central Appraisal District	Legislative Action	12,799	Appraiser
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/24/09	0	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	08/14/07	487,242	Attorney
TNG Utility Corp.	05/16/12	553,510	Operator

Investment Officer			
Fran Matuska	08/14/07	N/A	Bookkeeper