

Montgomery County Municipal Utility District No. 88

Montgomery County, Texas

Independent Auditor's Report and Financial Statements

August 31, 2018



Montgomery County Municipal Utility District No. 88
August 31, 2018

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Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 88
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 88 (the District), as of and for the year ended August 31, 2018, 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 August 31, 2018, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information as 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
January 11, 2019

Montgomery County Municipal Utility District No. 88

Management's Discussion and Analysis

August 31, 2018

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 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.

Montgomery County Municipal Utility District No. 88
Management's Discussion and Analysis (Continued)
August 31, 2018

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.

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Management's Discussion and Analysis (Continued)
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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

	2018	2017
Current and other assets	\$ 4,306,242	\$ 4,490,777
Capital assets	16,110,417	13,165,679
Total assets	<u>\$ 20,416,659</u>	<u>\$ 17,656,456</u>
Long-term liabilities	\$ 19,573,994	\$ 17,323,589
Other liabilities	454,171	274,078
Total liabilities	<u>20,028,165</u>	<u>17,597,667</u>
Net position:		
Net investment in capital assets	(2,949,366)	(2,824,166)
Restricted	1,295,893	1,262,033
Unrestricted	2,041,967	1,620,922
Total net position	<u>\$ 388,494</u>	<u>\$ 58,789</u>

The total net position of the District increased by \$329,705 or about 561 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. 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

	2018	2017
Revenues:		
Property taxes	\$ 2,020,766	\$ 1,896,352
Charges for services	747,144	588,819
Other revenues	311,641	174,550
Total revenues	<u>3,079,551</u>	<u>2,659,721</u>

Montgomery County Municipal Utility District No. 88
Management's Discussion and Analysis (Continued)
August 31, 2018

Summary of Changes in Net Position (Continued)

	2018	2017
Expenses:		
Services	\$ 1,444,473	\$ 1,113,567
Depreciation	488,228	419,100
Debt service	817,145	376,183
Total expenses	<u>2,749,846</u>	<u>1,908,850</u>
Change in net position	329,705	750,871
Net position, beginning of year	<u>58,789</u>	<u>(692,082)</u>
Net position, end of year	<u><u>\$ 388,494</u></u>	<u><u>\$ 58,789</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2018, were \$3,824,681, a decrease of \$371,345 from the prior year.

The general fund's fund balance increased by \$423,224, primarily due to property taxes and service revenues exceeding service operation expenditures. In addition, tap connection and inspection fees revenues exceeded the related tap connections expenditures.

The debt service fund's fund balance increased by \$28,781 because property taxes revenues were greater than bond principal and interest requirements.

The capital projects fund's fund balance decreased by \$823,350 primarily due to capital outlay expenditures and debt issuance costs exceeding proceeds from the sale of bonds.

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 tap connection and inspection fees revenue and expenditures, sewer service and surface water conversion fees revenues being greater than anticipated, and purchased services and repairs and maintenance expenditures were less than anticipated. In addition, capital outlay and debt issuance costs expenditures and a transfer from the capital projects fund were not included in the current year budget. The fund balance as of August 31, 2018, was expected to be \$1,649,500 and the actual end-of-year fund balance was \$2,029,609.

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Management's Discussion and Analysis (Continued)
August 31, 2018

Capital Assets and Related Debt

Capital Assets

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

	2018	2017
Land and improvements	\$ 585,329	\$ 585,329
Construction in progress	1,112,722	290,216
Water facilities	3,112,899	2,841,466
Wastewater facilities	5,190,844	4,127,936
Drainage facilities	6,047,510	5,256,962
Recreational facilities	61,113	63,770
Total capital assets	\$ 16,110,417	\$ 13,165,679

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

Construction in progress related to interim wastewater treatment expansion to 0.3 MGD per day	\$ 903,088
Spring Creek Utility District and Montgomery County Municipal Utility District No. 89 water capacity purchase	118,836
Water, wastewater and drainage facilities to serve Estates of Legend Trace, Legends Trace, Sections 1, 2 and 3, and Cedarwood Trace Drive	449,292
Lift station No. 2	38,216
Water, wastewater and drainage facilities to serve Wright's Landing, Sections 2 and 3	1,418,922
Wright's Landing lift station	530,381
Total additions to capital assets	\$ 3,458,735

Developers of the District have constructed water, sewer and drainage 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 August 31, 2018, a liability for developer-constructed capital assets of \$5,083,295 was recorded in the government-wide financial statements.

Since inception, the developers have advanced \$202,500 to the District for operations (net of repayments). These advances have been recorded as liabilities in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2018, are summarized as follows.

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Management's Discussion and Analysis (Continued)
August 31, 2018

Long-term debt payable, beginning of year	\$ 17,323,589
Increases in long-term debt	7,295,407
Decreases in long-term debt	(5,045,002)
 Long-term debt payable, end of year	 \$ 19,573,994

At August 31, 2018, the District had \$46,770,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, construction and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "Baa3" from Moody's Investors Service (Moody's). The Series 2016 bonds carry a "A2" rating from Moody's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2017 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies partially within the extraterritorial jurisdiction (ETJ) of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. After it was created, a portion of the District later fell within the ETJ of the City of Conroe, but was subsequently converted to the City at the District's option under applicable law. The District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Water Supply Issues

The District is within 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 annual permits issued by the Conservation District. In 2006, the Conservation District adopted a District Regulatory Plan (the 2006 Plan) to reduce groundwater withdrawal through conversion to surface water in areas within the Conservation District's jurisdiction. Under the 2006 Plan, as supplemented by Phase II of the plan adopted in 2008, the District submitted to the Conservation District information regarding estimated future population, water demands and water supply sources, and must convert to 30 percent of surface water infrastructure by 2015.

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

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Management's Discussion and Analysis (Continued)
August 31, 2018

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.

Subsequent Event

On November 8, 2018, the District sold its \$5,450,000 Unlimited Tax Bonds, Series 2018, at a net effective interest rate of approximately 4.31 percent. The bonds were sold to reimburse developers for construction costs and interest on facilities within the District.

Montgomery County Municipal Utility District No. 88
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 1,594,075	\$ 670,397	\$ 755,588	\$ 3,020,060	\$ -	\$ 3,020,060
Certificates of deposit	344,030	627,753	-	971,783	-	971,783
Receivables:						
Property taxes	12,358	15,032	-	27,390	-	27,390
Service accounts	186,127	-	-	186,127	-	186,127
Accrued interest	3,128	5,520	-	8,648	-	8,648
Interfund receivable	32,258	-	-	32,258	(32,258)	-
Due from others	34,330	-	-	34,330	-	34,330
Prepaid expenditures	57,904	-	-	57,904	-	57,904
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	585,329	585,329
Construction in progress	-	-	-	-	1,112,722	1,112,722
Infrastructure	-	-	-	-	14,412,366	14,412,366
Total assets	\$ 2,264,210	\$ 1,318,702	\$ 755,588	\$ 4,338,500	\$ 16,078,159	\$ 20,416,659

Montgomery County Municipal Utility District No. 88
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
August 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 139,379	\$ -	\$ 149,344	\$ 288,723	\$ -	\$ 288,723
Retainage payable	-	-	82,584	82,584	-	82,584
Customer deposits	72,928	-	-	72,928	-	72,928
Due to others	1,536	-	-	1,536	-	1,536
Unearned tap connection fees	8,400	-	-	8,400	-	8,400
Interfund payable	-	32,258	-	32,258	(32,258)	-
Long-term liabilities:						
Due within one year	-	-	-	-	660,000	660,000
Due after one year	-	-	-	-	18,913,994	18,913,994
Total liabilities	<u>222,243</u>	<u>32,258</u>	<u>231,928</u>	<u>486,429</u>	<u>19,541,736</u>	<u>20,028,165</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>12,358</u>	<u>15,032</u>	<u>0</u>	<u>27,390</u>	<u>(27,390)</u>	<u>0</u>
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	57,904	-	-	57,904	(57,904)	-
Restricted:						
Unlimited tax bonds	-	1,271,412	-	1,271,412	(1,271,412)	-
Water, sewer and drainage	-	-	523,660	523,660	(523,660)	-
Assigned, operating reserve	34,330	-	-	34,330	(34,330)	-
Unassigned	<u>1,937,375</u>	<u>-</u>	<u>-</u>	<u>1,937,375</u>	<u>(1,937,375)</u>	<u>-</u>
Total fund balances	<u>2,029,609</u>	<u>1,271,412</u>	<u>523,660</u>	<u>3,824,681</u>	<u>(3,824,681)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,264,210</u>	<u>\$ 1,318,702</u>	<u>\$ 755,588</u>	<u>\$ 4,338,500</u>		
Net position:						
Net investment in capital assets					(2,949,366)	(2,949,366)
Restricted for debt service					1,286,444	1,286,444
Restricted for capital projects					9,449	9,449
Unrestricted					<u>2,041,967</u>	<u>2,041,967</u>
Total net position					<u>\$ 388,494</u>	<u>\$ 388,494</u>

Montgomery County Municipal Utility District No. 88
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended August 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 873,994	\$ 1,135,715	\$ -	\$ 2,009,709	\$ 11,057	\$ 2,020,766
Water service	182,952	-	-	182,952	-	182,952
Sewer service	283,903	-	-	283,903	-	283,903
Regional water fee	280,289	-	-	280,289	-	280,289
Penalty and interest	6,653	5,401	-	12,054	(4,340)	7,714
Tap connection and inspection fees	263,745	-	-	263,745	-	263,745
Interest income	8,086	10,661	3,538	22,285	-	22,285
Other income	17,897	-	-	17,897	-	17,897
	<u>1,917,519</u>	<u>1,151,777</u>	<u>3,538</u>	<u>3,072,834</u>	<u>6,717</u>	<u>3,079,551</u>
Total revenues						
Expenditures/Expenses						
Service operations:						
Purchased services	316,707	-	-	316,707	-	316,707
Regional water fee	267,266	-	-	267,266	-	267,266
Professional fees	155,186	2,355	-	157,541	15,178	172,719
Contracted services	215,652	16,518	-	232,170	-	232,170
Utilities	31,415	-	-	31,415	-	31,415
Repairs and maintenance	208,868	-	-	208,868	-	208,868
Tap connections	134,729	-	-	134,729	-	134,729
Other expenditures	70,865	2,138	391	73,394	7,205	80,599
Capital outlay	93,067	-	5,797,570	5,890,637	(5,890,637)	-
Depreciation	-	-	-	-	488,228	488,228
Debt service:						
Principal retirement	-	650,000	-	650,000	(650,000)	-
Interest and fees	-	451,985	-	451,985	4,591	456,576
Debt issuance costs	38,750	-	321,819	360,569	-	360,569
	<u>1,532,505</u>	<u>1,122,996</u>	<u>6,119,780</u>	<u>8,775,281</u>	<u>(6,025,435)</u>	<u>2,749,846</u>
Total expenditures/expenses						
Excess (Deficiency) of Revenues						
Over Expenditures	<u>385,014</u>	<u>28,781</u>	<u>(6,116,242)</u>	<u>(5,702,447)</u>	<u>6,032,152</u>	

Montgomery County Municipal Utility District No. 88
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
Year Ended August 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
Interfund transfers in (out)	\$ 38,210	\$ -	\$ (38,210)	\$ -	\$ -	
Repayment of developer advances	-	-	(15,000)	(15,000)	15,000	
General obligation bonds issued	-	-	5,500,000	5,500,000	(5,500,000)	
Discount on debt issued	-	-	(153,898)	(153,898)	153,898	
Total other financing sources	<u>38,210</u>	<u>0</u>	<u>5,292,892</u>	<u>5,331,102</u>	<u>(5,331,102)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	423,224	28,781	(823,350)	(371,345)	371,345	
Change in Net Position					329,705	\$ 329,705
Fund Balances/Net Position						
Beginning of year	<u>1,606,385</u>	<u>1,242,631</u>	<u>1,347,010</u>	<u>4,196,026</u>	-	<u>58,789</u>
End of year	<u>\$ 2,029,609</u>	<u>\$ 1,271,412</u>	<u>\$ 523,660</u>	<u>\$ 3,824,681</u>	<u>\$ 0</u>	<u>\$ 388,494</u>

Montgomery County Municipal Utility District No. 88

Notes to Financial Statements

August 31, 2018

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

Montgomery County Municipal Utility District No. 88 (the District) was created by an order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective December 29, 2000, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage 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.

Montgomery County Municipal Utility District No. 88

Notes to Financial Statements

August 31, 2018

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.

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.

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2018

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 liabilities.

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.

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2018

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.

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

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.

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2018

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 August 31, 2018, include collections during the current period or within 60 days of year-end related to the 2017 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 August 31, 2018, the 2017 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 acquisition 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
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.

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2018

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.	\$ 16,110,417
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	27,390
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(19,573,994)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (3,436,187)</u></u>

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.	\$ (371,345)
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.	5,380,026

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2018

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.	\$ 15,000
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.	153,898
Governmental funds report proceeds of the sales of bonds 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.	(4,850,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	6,717
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.	<u>(4,591)</u>
Change in net position of governmental activities.	<u>\$ 329,705</u>

Note 2: Deposits and Investments

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.

At August 31, 2018, 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

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2018

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 August 31, 2018, the District had no investments, other than certificates of deposit.

Investment Income

Investment income of \$22,285 for the year ended August 31, 2018, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2018, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Retirements/ Reclassifi- cations	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 585,329	\$ -	\$ -	\$ 585,329
Construction in progress	290,216	903,088	(80,582)	1,112,722
Total capital assets, non-depreciable	<u>875,545</u>	<u>903,088</u>	<u>(80,582)</u>	<u>1,698,051</u>
Capital assets, depreciable:				
Water production and distribution facilities	3,326,650	389,139	-	3,715,789
Wastewater collection and treatment facilities	4,956,043	1,192,008	54,813	6,202,864
Drainage facilities	6,220,367	974,500	-	7,194,867
Recreational facilities	66,427	-	-	66,427
Total capital assets, depreciable	<u>14,569,487</u>	<u>2,555,647</u>	<u>54,813</u>	<u>17,179,947</u>
Less accumulated depreciation:				
Water production and distribution facilities	(485,184)	(117,706)	-	(602,890)
Wastewater collection and treatment facilities	(828,107)	(183,913)	-	(1,012,020)
Drainage facilities	(963,405)	(183,952)	-	(1,147,357)
Recreational facilities	(2,657)	(2,657)	-	(5,314)
Total accumulated depreciation	<u>(2,279,353)</u>	<u>(488,228)</u>	<u>0</u>	<u>(2,767,581)</u>
Total governmental activities, net	<u>\$ 13,165,679</u>	<u>\$ 2,970,507</u>	<u>\$ (25,769)</u>	<u>\$ 16,110,417</u>

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2018

The District capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred was:

Interest costs capitalized	\$	24,084
Interest costs charged to expense		456,576
Total interest incurred	\$	480,660

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended August 31, 2018, 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	\$ 9,825,000	\$ 5,500,000	\$ 650,000	\$ 14,675,000	\$ 660,000
Less discounts on bonds	246,698	153,898	13,795	386,801	-
	9,578,302	5,346,102	636,205	14,288,199	660,000
Bond anticipation notes				-	
Developer advances	217,500	-	15,000	202,500	-
Due to developers	7,527,787	1,949,305	4,393,797	5,083,295	-
Total governmental activities long-term liabilities	\$ 17,323,589	\$ 7,295,407	\$ 5,045,002	\$ 19,573,994	\$ 660,000

General Obligation Bonds

	Series 2012	Series 2014
Amounts outstanding, August 31, 2018	\$2,215,000	\$2,500,000
Interest rates	2.00% to 4.00%	2.000% to 4.125%
Maturity dates, serially beginning/ending	September 1, 2019/2035	September 1, 2019/2036
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2019	September 1, 2022

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

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2018

	Series 2016	Series 2017
Amounts outstanding, August 31, 2018	\$4,760,000	\$5,200,000
Interest rates	2.00% to 4.00%	2.00% to 3.50%
Maturity dates, serially beginning/ending	September 1, 2019/2039	September 1, 2019/2040
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2023	September 1, 2024

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

Annual Debt Service Requirements

The District has been paying the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2018.

Year	Principal	Interest	Total
2019	\$ 660,000	\$ 464,467	\$ 1,124,467
2020	670,000	448,012	1,118,012
2021	680,000	426,812	1,106,812
2022	690,000	405,097	1,095,097
2023	705,000	386,047	1,091,047
2024-2028	3,525,000	1,660,944	5,185,944
2029-2033	3,615,000	1,122,202	4,737,202
2034-2038	3,405,000	466,432	3,871,432
2039-2040	725,000	32,781	757,781
Total	<u>\$ 14,675,000</u>	<u>\$ 5,412,794</u>	<u>\$ 20,087,794</u>

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	\$ 63,090,000
Bonds sold	16,320,000
Refunding bonds voted	41,000,000

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2018

Due to Developers

Developers of the District have constructed underground utilities on behalf of the District. The District has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission. The District's engineer estimates reimbursable costs for completed projects are \$5,083,295. These amounts have been recorded in the financial statements as long-term liabilities.

Since inception, developers have advanced \$202,500 (net of repayments) to the District for operations. Due to the uncertain reimbursement date, these advances have been recorded as long-term liabilities in the financial statements.

Note 5: Significant Bond Resolution and Commission Requirements

- A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2018, the District levied an ad valorem debt service tax at the rate of \$0.7800 per \$100 of assessed valuation, which resulted in a tax levy of \$1,142,625 on the taxable valuation of \$146,490,411 for the 2017 tax year. The interest and principal requirements paid from the tax revenues were \$1,104,635.
- B. The Commission required the District to escrow \$ 75,676 from the proceeds of its Series 2017 bonds. At the balance sheet date, the balance was invested in a money market accounts.
- C. During the current year, the District transferred \$38,210 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 May 3, 2003, voters authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended August 31, 2018, the District levied an ad valorem maintenance tax at the rate of \$0.6000 per \$100 of assessed valuation, which resulted in a tax levy of \$878,943 on the taxable valuation of \$146,490,411 for the 2017 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2018

Note 7: Wastewater Treatment Plant Lease

On April 5, 2007, as amended June 4, 2009, the District and AUC Group, LP, entered into an agreement for the lease of a wastewater treatment plant. The effective date of the amendment was June 1, 2009. The cost of the lease was \$6,425 per month prior to the amendment effective date and \$5,900 per month thereafter. The term of the lease was 60 months from the amendment effective date. During a prior year, the District exercised its option to extend the lease for successive 90-day periods at a cost of \$4,800 per month, which began in fiscal 2014. Lease expenditures during the fiscal year ended August 31, 2018, were \$57,600, which is included in purchased services on the statement of activities. In connection with this lease, at August 31, 2018, the District has prepaid \$4,800 for future rent.

On November 10, 2017, the District and AUC Group, LP, entered into an agreement for the lease of a wastewater treatment plant expansion to 0.3 MGD. The cost of the lease is \$26,400 per month. The term of the lease is 60 months following substantial completion of installation and startup of the equipment. The lease did not commence during the current year, and only first and last month's lease payments were made, totaling \$52,800 as prepaid expenditures.

Note 8: Contracts With Other Districts

Storm Water Facilities Agreement

On April 15, 2003, the District, Montgomery County Municipal Utility District No. 89 (District No. 89) and Spring Creek Utility District (Spring Creek) entered into a cost-sharing agreement for the construction and financing of drainage and detention facilities. District No. 89 was responsible for the design and construction of the facilities. Pump station facilities will be allocated based on each district's pro rata share of the ultimate acreage to be served by the facilities. Pro rata shares are as follows:

The District	30.7 %
District No. 89	40.8
Spring Creek	<u>28.5</u>
Totals	<u><u>100.0 %</u></u>

The pro rata share of the drainage and detention will be owned 100 percent by Spring Creek. The District incurred costs of \$158,849 during the current year. The District has contributed \$9,780 as its share of an operating reserve.

Montgomery County Municipal Utility District No. 88

Notes to Financial Statements

August 31, 2018

Water Supply Agreement

On October 7, 2004, the District and District No. 89 entered into a water facilities contract for the financing and construction of a second water plant and water well. Construction of the second water plant was completed during a prior year. The District's ownership interest in the capacity of the plant is 44.9 percent and District No. 89's is 55.1 percent. On August 15, 2008, the District, District No. 89 and Spring Creek (collectively, "the Districts") entered into a First Amendment to Water Facilities Contract for expansion of District No. 89's Water Plant No. 2. On September 19, 2011, the Districts entered into a Second Amendment to Water Facilities Contract to allow construction to begin and to provide for the District to reimburse Spring Creek for its share of construction costs. On December 6, 2012, the Districts entered into a Third Amendment to Water Facilities Contract, to reduce Spring Creek's ultimate capacity in the facilities. On June 14, 2018, the Districts entered into a Fourth Amendment to the Water Facilities Contract, to allocate a portion of capacity from Spring Creek and District No. 89 to the District.

District No. 89 is responsible for the operation and maintenance of the plant for the benefit of the participants. The participants share fixed operating costs, based on allocated capacity and variable costs based on each district's pro rata share of metered monthly usage. For the year ended August 31, 2018, the District's share of operating costs was \$100,258. The District has contributed \$24,550 as its share of an operating reserve.

Road Utilities Agreement

On August 4, 2005, the District entered into an agreement with District No. 89 for the purpose of sharing the cost of constructing and maintaining utilities located in roadways located in or adjacent to the District. The contract is for a period of 40 years.

District No. 89 holds title for the benefit of the participants. The District's share of construction costs of the road utilities were funded by contribution of funds from developers within the District. At August 31, 2018, the District's 50 percent ownership of the road utilities is recorded as a capital asset of the District.

Operating costs are to be shared based on ownership. During the fiscal year ended August 31, 2018, the District was not billed for operating expenditures under the terms of the agreement.

Note 9: 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 participates, along with other entities, in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The District has no

Montgomery County Municipal Utility District No. 88

Notes to Financial Statements

August 31, 2018

additional risk or responsibility to the Pool, outside of payment of insurance premiums. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 10: Groundwater Reduction Agreement

District No. 89 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 Lone Star Groundwater Conservation District (the Conservation District) requirements. As a participant in the Authority's Groundwater Reduction Plan, District No. 89 has complied with all current Conservation District requirements for surface water conversion and is obligated to pay to the Authority a groundwater withdrawal fee for all groundwater produced and used by District No. 89, and will be required to pay a water purchase fee for any water actually purchased from the Authority in the future. As of August 31, 2018, the Authority was billing District No. 89 \$2.64 per 1,000 gallons of water pumped. This rate is subject to future increases. The District pays its Authority fees indirectly through its Water Facilities Contract with District No. 89. District No. 89 began billing the participants in July 2010. During the year ended August 31, 2018, the District incurred \$267,266 for groundwater withdrawal fees.

Note 11: Regional Water Authority

The District is within the boundaries of the Conservation District, which 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 conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of August 31, 2018, the Conservation District was billing District No. 89 \$0.105 per 1,000 gallons of water pumped from its wells. The District pays its Conservation District fees indirectly through its Water Facilities Contract with District No. 89. The Conservation District fee is subject to future increases.

Note 12: Subsequent Event

On November 8, 2018, the District sold its \$5,450,000 Unlimited Tax Bonds, Series 2018, at a net effective interest rate of approximately 4.31 percent. The bonds were sold to reimburse developers for construction costs and interest on facilities within the District.

Required Supplementary Information

Montgomery County Municipal Utility District No. 88
Budgetary Comparison Schedule – General Fund
Year Ended August 31, 2018

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 862,000	\$ 862,000	\$ 873,994	\$ 11,994
Water service	150,000	150,000	182,952	32,952
Sewer service	210,000	210,000	283,903	73,903
Surface water conversion	190,000	190,000	280,289	90,289
Penalty and interest	10,000	10,000	6,653	(3,347)
Tap connection and inspection fees	130,000	130,000	263,745	133,745
Investment income	2,500	2,500	8,086	5,586
Other	-	-	17,897	17,897
Total revenues	1,554,500	1,554,500	1,917,519	363,019
Expenditures				
Service operations:				
Purchased services	380,000	380,000	316,707	63,293
Regional water fee	305,000	305,000	267,266	37,734
Professional fees	154,600	154,600	155,186	(586)
Contracted services	214,400	204,400	215,652	(11,252)
Utilities	50,000	50,000	31,415	18,585
Repairs and maintenance	197,000	258,685	208,868	49,817
Other expenditures	103,700	103,700	70,865	32,835
Tap connections	55,000	55,000	134,729	(79,729)
Capital outlay	-	-	93,067	(93,067)
Debt service, debt issuance costs	-	-	38,750	(38,750)
Total expenditures	1,459,700	1,511,385	1,532,505	(21,120)
Excess of Revenues Over Expenditures	94,800	43,115	385,014	341,899
Other Financing Sources				
Interfund transfers in	-	-	38,210	38,210
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	94,800	43,115	423,224	380,109
Fund Balances, Beginning of Year	1,606,385	1,606,385	1,606,385	-
Fund Balances, End of Year	\$ 1,701,185	\$ 1,649,500	\$ 2,029,609	\$ 380,109

Montgomery County Municipal Utility District No. 88
Notes to Required Supplementary Information
August 31, 2018

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2018.

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 Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Montgomery County Municipal Utility District No. 88
Other Schedules Included Within This Report
August 31, 2018

(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 14-27
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [] Schedule of Temporary Investments – Not Applicable
- [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 –
Five Years
- [X] Board Members, Key Personnel and Consultants

Montgomery County Municipal Utility District No. 88

Schedule of Services and Rates

Year Ended August 31, 2018

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> 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:	\$ 12.00	6,999	N	\$ 1.50	7,000 to 12,999
				\$ 1.75	13,000 to 20,000
				\$ 5.00	20,001 to No Limit
Wastewater:	\$ 30.65	0	Y		
Regional water fee:	\$ 0.105	1	N	\$ 0.105	1 to No Limit
SJRA fee	\$ 2.90	1	N	\$ 2.90	1 to No Limit
Does the District employ winter averaging for wastewater usage?				Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 57.50	Wastewater \$ 30.65

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	850	847	x1.0	847
1"	5	5	x2.5	13
1 1/2"	-	-	x5.0	-
2"	9	9	x8.0	72
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	864	861		932
Total wastewater	849	846	x1.0	846

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

Gallons pumped into the system:	99,755
Gallons billed to customers:	99,755
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Montgomery County Municipal Utility District No. 88
Schedule of General Fund Expenditures
Year Ended August 31, 2018

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	14,950	
Legal		66,015	
Engineering		74,221	
Financial advisor		-	155,186
		<hr/>	
Purchased Services for Resale			
Bulk water and wastewater service purchases			316,707
Regional Water Fee			267,266
Contracted Services			
Bookkeeping		11,944	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		33,790	
Other contracted services		48,584	94,318
		<hr/>	
Utilities			31,415
Repairs and Maintenance			208,868
Administrative Expenditures			
Directors' fees		9,000	
Office supplies		32,844	
Insurance		5,779	
Other administrative expenditures		23,242	70,865
		<hr/>	
Capital Outlay			
Capitalized assets		93,067	
Expenditures not capitalized		-	93,067
		<hr/>	
Tap Connection Expenditures			134,729
Solid Waste Disposal			121,334
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			38,750
			<hr/>
Total expenditures			<u><u>\$ 1,532,505</u></u>

Montgomery County Municipal Utility District No. 88
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2018

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 7,573	\$ 8,760
Additions and corrections to prior years' taxes	(164)	(638)
Adjusted receivable, beginning of year	7,409	8,122
 2017 Original Tax Levy	 869,970	 1,130,960
Additions and corrections	8,973	11,665
Adjusted tax levy	878,943	1,142,625
Total to be accounted for	886,352	1,150,747
Tax collections:		
Current year	(871,797)	(1,133,335)
Prior years	(2,197)	(2,380)
Receivable, end of year	\$ 12,358	\$ 15,032
 Receivable, by Years		
2017	\$ 7,146	\$ 9,290
2016	1,738	2,223
2015	1,854	1,827
2014	1,620	1,692
Receivable, end of year	\$ 12,358	\$ 15,032

Montgomery County Municipal Utility District No. 88
Analysis of Taxes Levied and Receivable (Continued)
Year Ended August 31, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Property Valuations				
Land	\$ 28,609,740	\$ 23,388,630	\$ 19,466,320	\$ 16,137,310
Improvements	118,930,330	114,326,810	98,653,750	67,748,540
Personal property	1,894,350	1,572,064	1,031,017	669,417
Exemptions	<u>(2,944,009)</u>	<u>(2,862,453)</u>	<u>(2,476,494)</u>	<u>(1,680,073)</u>
 Total property valuations	 <u>\$ 146,490,411</u>	 <u>\$ 136,425,051</u>	 <u>\$ 116,674,593</u>	 <u>\$ 82,875,194</u>
 Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.7800	\$ 0.7800	\$ 0.6900	\$ 0.7100
Maintenance tax rates*	<u>0.6000</u>	<u>0.6100</u>	<u>0.7000</u>	<u>0.6800</u>
 Total tax rates per \$100 valuation	 <u>\$ 1.3800</u>	 <u>\$ 1.3900</u>	 <u>\$ 1.3900</u>	 <u>\$ 1.3900</u>
 Tax Levy	 <u>\$ 2,021,568</u>	 <u>\$ 1,896,309</u>	 <u>\$ 1,621,777</u>	 <u>\$ 1,151,966</u>
 Percent of Taxes Collected to Taxes Levied**	 <u>99%</u>	 <u>99%</u>	 <u>99%</u>	 <u>99%</u>

*Maximum tax rate approved by voters: \$1.50 on May 3, 2003

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

Montgomery County Municipal Utility District No. 88
Schedule of Long-term Debt Service Requirements by Years
August 31, 2018

Due During Fiscal Years Ending August 31	Series 2012		
	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 85,000	\$ 77,205	\$ 162,205
2020	90,000	75,250	165,250
2021	95,000	73,000	168,000
2022	100,000	70,435	170,435
2023	105,000	67,435	172,435
2024	110,000	64,285	174,285
2025	115,000	60,875	175,875
2026	120,000	57,195	177,195
2027	125,000	53,235	178,235
2028	135,000	48,985	183,985
2029	140,000	44,260	184,260
2030	145,000	39,220	184,220
2031	155,000	34,000	189,000
2032	160,000	27,800	187,800
2033	170,000	21,400	191,400
2034	180,000	14,600	194,600
2035	185,000	7,400	192,400
Totals	<u>\$ 2,215,000</u>	<u>\$ 836,580</u>	<u>\$ 3,051,580</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Montgomery County Municipal Utility District No. 88
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2018

Due During Fiscal Years Ending August 31	Series 2014		
	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 125,000	\$ 87,156	\$ 212,156
2020	125,000	84,656	209,656
2021	125,000	80,906	205,906
2022	125,000	77,156	202,156
2023	125,000	73,406	198,406
2024	125,000	69,656	194,656
2025	125,000	65,906	190,906
2026	130,000	62,156	192,156
2027	130,000	57,931	187,931
2028	130,000	53,381	183,381
2029	130,000	48,831	178,831
2030	130,000	44,120	174,120
2031	130,000	39,244	169,244
2032	130,000	34,370	164,370
2033	130,000	29,494	159,494
2034	130,000	24,131	154,131
2035	130,000	18,770	148,770
2036	325,000	13,406	338,406
	Totals	\$ 2,500,000	\$ 964,676
		\$ 2,500,000	\$ 964,676
			\$ 3,464,676

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Montgomery County Municipal Utility District No. 88
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2018

Due During Fiscal Years Ending August 31	Series 2016		
	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 150,000	\$ 151,231	\$ 301,231
2020	155,000	145,231	300,231
2021	160,000	139,031	299,031
2022	165,000	132,631	297,631
2023	175,000	129,331	304,331
2024	180,000	125,613	305,613
2025	190,000	121,563	311,563
2026	195,000	116,813	311,813
2027	205,000	111,938	316,938
2028	210,000	105,787	315,787
2029	220,000	99,488	319,488
2030	230,000	92,887	322,887
2031	240,000	85,988	325,988
2032	250,000	78,487	328,487
2033	255,000	70,363	325,363
2034	270,000	62,075	332,075
2035	280,000	53,300	333,300
2036	290,000	43,850	333,850
2037	300,000	33,700	333,700
2038	315,000	23,200	338,200
2039	325,000	11,781	336,781
Totals	\$ 4,760,000	\$ 1,934,288	\$ 6,694,288

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Montgomery County Municipal Utility District No. 88
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2018

Due During Fiscal Years Ending August 31	Series 2017		
	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 300,000	\$ 148,875	\$ 448,875
2020	300,000	142,875	442,875
2021	300,000	133,875	433,875
2022	300,000	124,875	424,875
2023	300,000	115,875	415,875
2024	300,000	109,875	409,875
2025	300,000	103,875	403,875
2026	300,000	97,125	397,125
2027	200,000	90,000	290,000
2028	200,000	84,750	284,750
2029	200,000	78,750	278,750
2030	200,000	72,750	272,750
2031	200,000	66,500	266,500
2032	200,000	60,250	260,250
2033	200,000	54,000	254,000
2034	200,000	47,500	247,500
2035	200,000	41,000	241,000
2036	200,000	34,500	234,500
2037	200,000	28,000	228,000
2038	200,000	21,000	221,000
2039	200,000	14,000	214,000
2040	200,000	7,000	207,000
Totals	\$ 5,200,000	\$ 1,677,250	\$ 6,877,250

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Montgomery County Municipal Utility District No. 88
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2018

Due During Fiscal Years Ending August 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 660,000	\$ 464,467	\$ 1,124,467
2020	670,000	448,012	1,118,012
2021	680,000	426,812	1,106,812
2022	690,000	405,097	1,095,097
2023	705,000	386,047	1,091,047
2024	715,000	369,429	1,084,429
2025	730,000	352,219	1,082,219
2026	745,000	333,289	1,078,289
2027	660,000	313,104	973,104
2028	675,000	292,903	967,903
2029	690,000	271,329	961,329
2030	705,000	248,977	953,977
2031	725,000	225,732	950,732
2032	740,000	200,907	940,907
2033	755,000	175,257	930,257
2034	780,000	148,306	928,306
2035	795,000	120,470	915,470
2036	815,000	91,756	906,756
2037	500,000	61,700	561,700
2038	515,000	44,200	559,200
2039	525,000	25,781	550,781
2040	200,000	7,000	207,000
Totals	\$ 14,675,000	\$ 5,412,794	\$ 20,087,794

Montgomery County Municipal Utility District No. 88
Changes in Long-term Bonded Debt
Year Ended August 31, 2018

	Bond Issues				Totals
	Series 2012	Series 2014	Series 2016	Series 2017	
Interest rates	2.00% to 4.00%	2.00% to 4.125%	2.00% to 4.00%	2.00% to 3.50%	
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	
Maturity dates	September 1, 2019/2035	September 1, 2019/2036	September 1, 2019/2039	September 1, 2019/2040	
Bonds outstanding, beginning of current year	\$ 2,295,000	\$ 2,625,000	\$ 4,905,000	\$ -	\$ 9,825,000
Bonds sold during current year	-	-	-	5,500,000	5,500,000
Retirements, principal	<u>80,000</u>	<u>125,000</u>	<u>145,000</u>	<u>300,000</u>	<u>650,000</u>
Bonds outstanding, end of current year	<u>\$ 2,215,000</u>	<u>\$ 2,500,000</u>	<u>\$ 4,760,000</u>	<u>\$ 5,200,000</u>	<u>\$ 14,675,000</u>
Interest paid during current year	<u>\$ 78,885</u>	<u>\$ 89,656</u>	<u>\$ 157,031</u>	<u>\$ 129,063</u>	<u>\$ 454,635</u>

Paying agent's name and address:

Series 2012 - 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
Series 2016 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2017 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 63,090,000	0	\$ 41,000,000
Amount issued	\$ 16,320,000	0	\$ -
Remaining to be issued	<u>\$ 46,770,000</u>	<u>0</u>	<u>\$ 41,000,000</u>

Debt service fund cash and temporary investment balances as of August 31, 2018:

\$ 1,298,150

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 913,082

Montgomery County Municipal Utility District No. 88
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended August 31,

	Amounts				
	2018	2017	2016	2015	2014
General Fund					
Revenues					
Property taxes	\$ 873,994	\$ 831,687	\$ 813,714	\$ 562,024	\$ 358,068
Water service	182,952	138,579	117,884	109,541	91,158
Sewer service	283,903	225,471	196,006	184,780	162,630
Bulk water sales	-	17,730	-	-	-
Regional water fees	280,289	207,039	158,192	128,003	80,126
Penalty and interest	6,653	8,080	8,131	9,997	6,744
Tap connection and inspection fees	263,745	114,600	40,375	36,885	146,145
Investment income	8,086	4,403	2,736	1,065	993
Other income	17,897	30,007	15,921	7,848	11,910
Total revenues	<u>1,917,519</u>	<u>1,577,596</u>	<u>1,352,959</u>	<u>1,040,143</u>	<u>857,774</u>
Expenditures					
Service operations:					
Purchased services	316,707	309,637	203,378	140,703	193,885
Regional water fees	267,266	130,958	179,616	119,746	100,392
Professional fees	155,186	176,241	161,248	186,292	112,365
Contracted services	215,652	150,428	131,332	116,800	95,082
Utilities	31,415	26,473	26,853	41,492	46,289
Repairs and maintenance	208,868	159,864	123,118	183,832	79,062
Other expenditures	70,865	59,340	52,972	48,822	46,597
Tap connections	134,729	53,140	19,640	21,533	88,738
Capital outlay	93,067	143,499	-	-	42,677
Debt service, debt issuance costs	38,750	33,229	-	-	-
Total expenditures	<u>1,532,505</u>	<u>1,242,809</u>	<u>898,157</u>	<u>859,220</u>	<u>805,087</u>
Excess of Revenues Over Expenditures	385,014	334,787	454,802	180,923	52,687
Other Financing Sources					
Interfund transfers in	38,210	-	-	39,377	-
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	423,224	334,787	454,802	220,300	52,687
Fund Balance, Beginning of Year	<u>1,606,385</u>	<u>1,271,598</u>	<u>816,796</u>	<u>596,496</u>	<u>543,809</u>
Fund Balance, End of Year	<u>\$ 2,029,609</u>	<u>\$ 1,606,385</u>	<u>\$ 1,271,598</u>	<u>\$ 816,796</u>	<u>\$ 596,496</u>
Total Active Retail Water Connections	<u>861</u>	<u>675</u>	<u>561</u>	<u>532</u>	<u>497</u>
Total Active Retail Wastewater Connections	<u>846</u>	<u>664</u>	<u>553</u>	<u>524</u>	<u>489</u>

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
45.6 %	52.7 %	60.1 %	54.0 %	41.7 %
9.5	8.8	8.7	10.5	10.6
14.8	14.3	14.5	17.8	19.0
-	1.1	-	-	-
14.6	13.1	11.7	12.3	9.4
0.4	0.5	0.6	1.0	0.8
13.8	7.3	3.0	3.5	17.0
0.4	0.3	0.2	0.1	0.1
<u>0.9</u>	<u>1.9</u>	<u>1.2</u>	<u>0.8</u>	<u>1.4</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
16.5	19.6	15.0	13.5	22.6
13.9	8.3	13.3	11.5	11.7
8.1	11.2	11.9	17.9	13.1
11.3	9.5	9.7	11.2	11.1
1.6	1.7	2.0	4.0	5.4
10.9	14.0	9.1	17.7	9.2
3.7	3.8	3.9	4.7	5.4
7.0	3.4	1.5	2.1	10.4
4.9	5.3	-	-	5.0
<u>2.0</u>	<u>2.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>79.9</u>	<u>78.8</u>	<u>66.4</u>	<u>82.6</u>	<u>93.9</u>
<u>20.1 %</u>	<u>21.2 %</u>	<u>33.6 %</u>	<u>17.4 %</u>	<u>6.1 %</u>

Montgomery County Municipal Utility District No. 88
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended August 31,

	Amounts				
	2018	2017	2016	2015	2014
Debt Service Fund					
Revenues					
Property taxes	\$ 1,135,715	\$ 1,062,416	\$ 802,231	\$ 586,572	\$ 333,202
Penalty and interest	5,401	8,480	7,149	4,323	3,051
Investment income	10,661	5,066	3,761	1,195	885
Total revenues	<u>1,151,777</u>	<u>1,075,962</u>	<u>813,141</u>	<u>592,090</u>	<u>337,138</u>
Expenditures					
Current:					
Professional fees	2,355	3,194	1,400	1,008	689
Contracted services	16,518	26,767	20,417	15,781	11,172
Other expenditures	2,138	2,850	1,500	2,262	2,282
Debt service:					
Principal retirement	650,000	340,000	330,000	195,000	65,000
Interest and fees	451,985	337,270	285,808	164,995	85,305
Total expenditures	<u>1,122,996</u>	<u>710,081</u>	<u>639,125</u>	<u>379,046</u>	<u>164,448</u>
Excess of Revenues Over Expenditures	28,781	365,881	174,016	213,044	172,690
Other Financing Sources					
General obligation bonds issued	-	-	-	48,578	-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	28,781	365,881	174,016	261,622	172,690
Fund Balance, Beginning of Year	<u>1,242,631</u>	<u>876,750</u>	<u>702,734</u>	<u>441,112</u>	<u>268,422</u>
Fund Balance, End of Year	<u>\$ 1,271,412</u>	<u>\$ 1,242,631</u>	<u>\$ 876,750</u>	<u>\$ 702,734</u>	<u>\$ 441,112</u>

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
98.6 %	98.7 %	98.6 %	99.1 %	98.8 %
0.5	0.8	0.9	0.7	0.9
0.9	0.5	0.5	0.2	0.3
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.2	0.3	0.2	0.2	0.2
1.4	2.5	2.5	2.6	3.3
0.2	0.3	0.2	0.4	0.7
56.4	31.6	40.6	32.9	19.3
<u>39.3</u>	<u>31.3</u>	<u>35.1</u>	<u>27.9</u>	<u>25.3</u>
<u>97.5</u>	<u>66.0</u>	<u>78.6</u>	<u>64.0</u>	<u>48.8</u>
<u><u>2.5 %</u></u>	<u><u>34.0 %</u></u>	<u><u>21.4 %</u></u>	<u><u>36.0 %</u></u>	<u><u>51.2 %</u></u>

Montgomery County Municipal Utility District No. 88
Board Members, Key Personnel and Consultants
Year Ended August 31, 2018

Complete District mailing address:	Montgomery County Municipal Utility District No. 88 c/o Roach & Mitchell, PLLC 2800 Post Oak Boulevard, Suite 4100 Houston, Texas 77056
District business telephone number:	832.390.2268
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	<u>October 16, 2018</u>
Limit on fees of office that a director may receive during a fiscal year:	<u>\$ 7,200</u>

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Matthew Determan	Elected 05/16- 05/20	\$ 1,650	\$ 0	President
Stephen Dempsey	Elected 05/18- 05/22	2,700	2,758	Vice President
Jennifer Donato	Elected 05/18- 05/22	2,100	864	Secretary
Ryan Temple	Elected 05/16- 05/20	1,650	0	Assistant Secretary
Kimberly Clifton	Appointed 07/18- 05/22	0	0	Director
Juan Galvan	Elected 05/14- 02/18	900	0	Resigned

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

Montgomery County Municipal Utility District No. 88
Board Members, Key Personnel and Consultants (Continued)
Year Ended August 31, 2018

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	07/07/11	\$ 28,650	Auditor
Hilltop Securities Inc.	11/01/01	110,250	Former Financial Advisor
Jones & Carter, Inc.	07/05/12	177,053	Engineer
Bob Leared	11/01/01	16,051	Tax Assessor/ Collector
Masterson Advisors, LLC	05/10/18	0	Financial Advisor
Montgomery Central Appraisal District	Legislative Action	4,855	Appraiser
Municipal Operations & Consulting, Inc.	06/04/15	316,738	Operator
Myrtle Cruz, Inc.	11/01/01	17,187	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/01/07	2,355	Delinquent Tax Attorney
Roach & Mitchell, PLLC	10/08/15	228,016	Attorney
Investment Officer			
Mary Jarmon	11/01/01	N/A	Bookkeeper