

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**

**MONTGOMERY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JULY 31, 2018**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants



**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**MONTGOMERY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**JULY 31, 2018**



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Board of Directors  
Conroe Municipal Management District No. 1  
Montgomery County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Conroe Municipal Management District No. 1 (the "District"), as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 July 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

October 17, 2018



**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

Management's discussion and analysis of Conroe Municipal Management District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended July 31, 2018. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

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

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

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for maintenance tax revenues as well as operating and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of District facilities and related costs.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**FUND FINANCIAL STATEMENTS (Continued)**

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short term financing decisions. The adjustment columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$3,608,899 as of July 31, 2018.

The following is a comparative analysis of the Statement of Net Position as of July 31, 2018, and July 31, 2017:

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 1,139,599	\$ 84,707	\$ 1,054,892
Intangible Asset (Net of Accumulated Amortization)	24,344,198	22,165,228	2,178,970
Capital Assets (Net of Accumulated Depreciation)	<u>647,642</u>	<u>337,810</u>	<u>309,832</u>
Total Assets	<u>\$ 26,131,439</u>	<u>\$ 22,587,745</u>	<u>\$ 3,543,694</u>
Due to Developer	\$ 19,317,739	\$ 21,291,561	\$ 1,973,822
Bonds Payable	10,285,000		\$ (10,285,000)
Other Liabilities	<u>137,599</u>	<u>2,856,511</u>	<u>2,718,912</u>
Total Liabilities	<u>\$ 29,740,338</u>	<u>\$ 24,148,072</u>	<u>\$ (5,592,266)</u>
Net Position:			
Net Investment in Capital Assets	\$ (3,535,718)	\$ (806,176)	\$ (2,729,542)
Restricted	540,102		540,102
Unrestricted	<u>(613,283)</u>	<u>(754,151)</u>	<u>140,868</u>
Total Net Position	<u>\$ (3,608,899)</u>	<u>\$ (1,560,327)</u>	<u>\$ (2,048,572)</u>

The following table provides a summary of the District's operations for the years ending July 31, 2018, and July 31, 2017.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 504,815	\$ 119,867	\$ 384,948
Other Revenues	<u>8,670</u>	<u>250</u>	<u>8,420</u>
Total Revenues	<u>\$ 513,485</u>	<u>\$ 120,117</u>	<u>\$ 393,368</u>
Expenses for Services	<u>2,562,057</u>	<u>1,113,097</u>	<u>(1,448,960)</u>
Change in Net Position	\$ (2,048,572)	\$ (992,980)	\$ (1,055,592)
Net Position, Beginning of Year	<u>(1,560,327)</u>	<u>(567,347)</u>	<u>(992,980)</u>
Net Position, End of Year	<u>\$ (3,608,899)</u>	<u>\$ (1,560,327)</u>	<u>\$ (2,048,572)</u>

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND**

The District's combined fund balances as of July 31, 2018 were \$996,027, an increase of \$3,767,831 from the prior year.

The General Fund fund balance increased by \$136,367, primarily due to developer advances received by the District.

The Debt Service Fund fund balance increased by \$548,630, primarily due to the structure of the District's debt service requirements and issuance of the Series 2018 Bonds and the Series 2018 Road Bonds.

The District's Capital Projects Fund increased by \$3,082,834, primarily due to the issuance of the Series 2018 Bonds and the Series 2018 Road Bonds, offset by current year capital outlay.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$375,851 more than budgeted revenues, primarily due to higher property tax revenues than budgeted. Actual expenditures were \$31,528 less than budgeted expenditures, primarily due to lower than anticipated professional fees which were offset by higher than anticipated costs across all other categories.

**CAPITAL ASSETS**

As of the end of the current fiscal year, the District had \$647,642 of stormwater channel drainage facilities, net of accumulated depreciation. Additional information on the District's capital assets can be found in Note 6.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation:			
Drainage System	\$ 647,642	\$ 337,810	\$ 309,832

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**INTANGIBLE ASSETS**

Per the Utility Functions Agreement with the City of Conroe, water, wastewater, drainage and road facilities constructed by the District are to be conveyed to the City, and stormwater detention, floodplain reclamation and recreational facilities constructed are to remain assets of the District. Intangible Assets include the right to receive water and wastewater service. Additional information on the District's intangible assets can be found in Note 6.

Intangible Assets At Year-End, Net of Accumulated Amortization			
	2018	2017	Change Positive (Negative)
Right to receive services	\$ 25,747,372	\$ 22,799,831	\$ 2,947,541
Accumulated Amortization	1,403,174	634,603	768,571
Right to receive services; Net of Accumulated Amortization	\$ 24,344,198	\$ 22,165,228	\$ 2,178,970

**LONG TERM DEBT ACTIVITY**

As of July 31, 2018, the District had total bond debt payable in the principal amount of \$10,285,000. The changes in the debt position of the District during the fiscal year ended July 31, 2018, are summarized as follows:

Bond Debt Payable, August 1, 2017	\$ - 0 -
Add: Series 2018 and 2018 Road Bonds	10,285,000
Bond Debt Payable, July 31, 2018	\$ 10,285,000

The District's Series 2018 Bonds and Series 2018 Road Bonds are not rated. The District also has developer liabilities for the construction of facilities and operating advances. See Note 8.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Conroe Municipal Management District No. 1, c/o The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, TX 77478.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JULY 31, 2018**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 33,069	\$
Investments	263,919	572,929
Receivables:		
Property Taxes Receivable	14,501	
Intangible Asset - Right to Receive Service Net of Accumulated Amortization)		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 311,489</b>	<b>\$ 572,929</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 96,409	\$
Accrued Interest Payable		
Due to Developer		
Due to Taxpayers	8,363	
Accrued Interest at Time of Sale		24,299
Long Term Liabilities:		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 104,772</b>	<b>\$ 24,299</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 14,501	\$ -0-
<b>FUND BALANCES</b>		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		548,630
Unassigned	192,216	
<b>TOTAL FUND BALANCES</b>	<b>\$ 192,216</b>	<b>\$ 548,630</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 311,489</b>	<b>\$ 572,929</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 33,069	\$	\$ 33,069
255,181	1,092,029		1,092,029
	14,501		14,501
		24,344,198	24,344,198
		<u>647,642</u>	<u>647,642</u>
<u>\$ 255,181</u>	<u>\$ 1,139,599</u>	<u>\$ 24,991,840</u>	<u>\$ 26,131,439</u>
\$	\$ 96,409	\$	\$ 96,409
		32,827	32,827
		19,317,739	19,317,739
	8,363		8,363
	24,299	(24,299)	
		<u>10,285,000</u>	<u>10,285,000</u>
<u>\$ -0-</u>	<u>\$ 129,071</u>	<u>\$ 29,611,267</u>	<u>\$ 29,740,338</u>
<u>\$ -0-</u>	<u>\$ 14,501</u>	<u>\$ (14,501)</u>	<u>\$ -0-</u>
\$ 255,181	\$ 255,181	\$ (255,181)	\$
	548,630	(548,630)	
	192,216	(192,216)	
<u>\$ 255,181</u>	<u>\$ 996,027</u>	<u>\$ (996,027)</u>	<u>\$ -0-</u>
<u>\$ 255,181</u>	<u>\$ 1,139,599</u>		
		\$ (3,535,718)	\$ (3,535,718)
		540,102	540,102
		(613,283)	(613,283)
		<u>\$ (3,608,899)</u>	<u>\$ (3,608,899)</u>

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JULY 31, 2018**

Total Fund Balances - Governmental Funds		\$ 996,027
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital and intangible assets and in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		24,991,840
<p>Deferred inflows of resources related to property tax revenues for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p>		14,501
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>		
Due to Developer	\$ (19,317,739)	
Accrued Interest Payable	(8,528)	
Bonds Payable After One Year	<u>(10,285,000)</u>	<u>(29,611,267)</u>
Total Net Position - Governmental Activities		<u>\$ (3,608,899)</u>

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

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**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JULY 31, 2018**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 490,314	\$
Investment Revenues	2,088	3,899
Miscellaneous Revenues	449	
<b>TOTAL REVENUES</b>	<b>\$ 492,851</b>	<b>\$ 3,899</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 374,443	\$
Contracted Services	48,532	
Repairs and Maintenance	10,600	
Amortization		
Depreciation		
Other	72,909	
Conveyance of Assets		
Capital Outlay		
Debt Service:		
Bond Interest		
Bond Anticipation Note Interest		
Issuance Costs		
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 506,484</b>	<b>\$ -0-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ (13,633)</b>	<b>\$ 3,899</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Long-Term Debt Issued	\$	\$ 544,731
Developer Advances	150,000	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 150,000</b>	<b>\$ 544,731</b>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 136,367	\$ 548,630
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - AUGUST 1, 2017</b>	55,849	
<b>FUND BALANCES/NET POSITION - JULY 31, 2018</b>	<b>\$ 192,216</b>	<b>\$ 548,630</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 490,314	\$ 14,501	\$ 504,815
2,234	8,221		8,221
	449		449
\$ 2,234	\$ 498,984	\$ 14,501	\$ 513,485
\$	\$ 374,443	\$	\$ 374,443
	48,532		48,532
	10,600		10,600
		768,571	768,571
		15,478	15,478
109,940	182,849		182,849
		302,662	302,662
5,699,335	5,699,335	(5,699,335)	
		8,528	8,528
48,963	48,963		48,963
801,431	801,431		801,431
\$ 6,659,669	\$ 7,166,153	\$ (4,604,096)	\$ 2,562,057
\$ (6,657,435)	\$ (6,667,169)	\$ 4,618,597	\$ (2,048,572)
\$ 9,740,269	\$ 10,285,000	\$ (10,285,000)	\$
	150,000	(150,000)	
\$ 9,740,269	\$ 10,435,000	\$ (10,435,000)	\$ -0-
\$ 3,082,834	\$ 3,767,831	\$ (3,767,831)	\$
		(2,048,572)	(2,048,572)
(2,827,653)	(2,771,804)	1,211,477	(1,560,327)
\$ 255,181	\$ 996,027	\$ (4,604,926)	\$ (3,608,899)

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JULY 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$ 3,767,831
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	14,501
Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital and intangible assets are depreciated and amortized and expense is recorded in the Statement of Activities.	(784,049)
In the Statement of Activities, conveyance of assets to other governmental activities is recorded as an expense.	(302,662)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets and intangible assets are increased by new purchases and the Statement of Activities is not affected.	5,699,335
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(8,528)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(10,285,000)
Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.	<u>(150,000)</u>
Change in Net Position - Governmental Activities	<u>\$ (2,048,572)</u>

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 1. CREATION OF DISTRICT**

Conroe Municipal Management District No. 1 (the “District”) was created effective April 21, 2015, by an Order of the Texas Commission on Environmental Quality (the “Commission”). The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer, storm sewer drainage, irrigation, and to construct roads as well as parks and recreational facilities for the residents of the District. The Board of Directors held its organizational meeting on April 23, 2015 and sold its first bonds on February 28, 2018.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements (Continued)

Governmental Fund

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

General Fund - To account for maintenance tax revenues, as well as operating and administrative costs.

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

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

Basis of Accounting

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

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

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

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

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

	Years
Drainage System	10-45
All Other Equipment	3-20

Intangible Assets

Intangible assets, consisting of rights to receive water and wastewater service, are reported in the government-wide Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to the City and amortized over the term of the applicable service contract, which is 50 years from the execution date of the contract.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that the directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

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

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

*Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

*Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District does not have any assigned fund balances.

*Unassigned:* all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

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

**NOTE 3. LONG-TERM DEBT**

The following is a summary of transactions regarding long-term liabilities for the year ended July 31, 2018:

	August 1, 2017	Additions	Retirements	July 31, 2018
Bonds Payable	\$ -0-	\$ 10,285,000	\$ -0-	\$ 10,285,000
		Amount Due Within One Year		\$ -0-
		Amount Due After One Year		10,285,000
		Bonds Payable		\$ 10,285,000

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 3. LONG-TERM DEBT (Continued)**

	<u>Series 2018</u>	<u>Series 2018 Road</u>
Amount Outstanding – July 31, 2018	\$ 5,500,000	\$ 4,785,000
Interest Rates	2.00% - 4.00%	3.00% - 4.00%
Maturity Date – Serially, Beginning/Ending	September 1, 2019/2042	September 1, 2019/2042
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023*	September 1, 2023*

\* Or on any date thereafter, at par plus unpaid accrued interest to the date of redemption, in whole or in part, at the option of the District. Series 2018 term bonds due September 1, 2042 are subject to mandatory redemption by random selection beginning September 1, 2039. Series 2018 Road term bonds due September 1, 2042 are subject to mandatory redemption by random selection beginning September 1, 2036.

As of July 31, 2018, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	\$ 172,663	\$ 172,663
2020	255,000	362,237	617,237
2021	265,000	355,938	620,938
2022	280,000	349,388	629,388
2023	290,000	340,987	630,987
2024-2028	1,635,000	1,567,388	3,202,388
2029-2033	2,025,000	1,286,680	3,311,680
2034-2038	2,480,000	896,768	3,376,768
2039-2043	3,055,000	376,250	3,431,250
	<u>\$ 10,285,000</u>	<u>\$ 5,708,299</u>	<u>\$ 15,993,299</u>

As of July 31, 2018, the District had authorized but unissued bonds in the amount of \$245,300,000 for utility facilities, \$182,765,000 for road facilities, and \$29,700,000 for parks and recreational facilities. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 3. LONG-TERM DEBT (Continued)**

During the year ended July 31, 2018, the District did not levy an ad valorem debt service tax rate for the 2017 tax year. The Bond Orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

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

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148 (f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5<sup>th</sup>-year anniversary of each issue.

The Bond Orders state that the District is required to provide continuing disclosure of certain general financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

In accordance with Series 2018 and Series 2018 Road bond orders, a portion of the bond proceeds was deposited into the Debt Service Fund and restricted for the payment of bond interest. Transactions for the current year are summarized as follows:

Restricted for Bond Interest, August 1, 2017	\$	-0-
Add: Interest Received - Series 2018		286,753
Add: Interest Received- Series 2018 Road		<u>257,978</u>
Restricted for Bond Interest, July 31, 2018	\$	<u>544,731</u>

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$33,069 and the bank balance was \$50,083. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2018, as listed below:

	Cash
DEPOSITS - GENERAL FUND	\$ 33,069

Investments

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

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investment in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of July 31, 2018, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
TexPool	\$ 263,919	\$ 263,919
<u>DEBT SERVICE FUND</u>		
TexPool	572,929	572,929
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>255,181</u>	<u>255,181</u>
TOTAL INVESTMENTS	<u>\$ 1,092,029</u>	<u>\$ 1,092,029</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of July 31, 2018, the District's investment in TexPool was rated AAAM by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investment of the Debt Service Fund are restricted for the payment of debt service and cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 6. CAPITAL AND INTANGIBLE ASSETS**

Capital Assets activity for the year ended July 31, 2018:

	August 1, 2017	Increases	Decreases	July 31, 2018
<b>Capital Assets Subject to Depreciation</b>				
Drainage System	\$ 351,640	\$ 325,310	\$ - 0 -	\$ 676,950
<b>Accumulated Depreciation</b>				
Drainage System	\$ 13,830	\$ 15,478	\$ - 0 -	\$ 29,308
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 337,810</u>	<u>\$ 309,832</u>	<u>\$ - 0 -</u>	<u>\$ 647,642</u>

In accordance with a Utility Functions Agreement with the City of Conroe, Texas, water, wastewater, drainage and road facilities constructed by the District have been conveyed to the City of Conroe for operation and maintenance. As a result of the conveyance of these assets, the City agreed to provide water and wastewater services to the District, contingent upon customer payment for those services, which becomes an intangible asset of the District. As of July 31, 2018, the District had the following intangible assets:

	August 1, 2017	Increases	Decreases	July 31, 2018
<b>Intangible Assets Subject to Amortization</b>				
Right to receive service	\$ 22,799,831	\$ 2,947,541	\$ - 0 -	\$ 25,747,372
<b>Accumulated Amortization</b>				
Right to receive service	\$ 634,603	\$ 768,571	\$ -	\$ 1,403,174
<b>Total Intangible Assets, Net of Accumulated Amortization</b>	<u>\$ 22,165,228</u>	<u>\$ 2,178,970</u>	<u>\$ - 0 -</u>	<u>\$ 24,344,198</u>

**NOTE 7. MAINTENANCE TAX**

On November 3, 2015, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's facilities as well as any other lawfully authorized purpose. During the year ended July 31, 2018, the District levied an ad valorem maintenance tax rate of \$0.90 per \$100 of assessed valuation which resulted in tax levy of \$504,815 on the adjusted taxable valuation of \$56,090,526 for the 2017 tax year.

On November 3, 2015, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.10 per \$100 of assessed valuation of taxable within the District to be used to pay construction and maintenance expenditures related to road facilities. As of the end of the current fiscal year, the District has not yet levied this particular tax.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 8. DUE TO DEVELOPER**

The District has executed agreements for the construction of improvements and reimbursement of advances with Developers within the District. The agreements call for the Developer to fund costs associated with water, wastewater, drainage, park and road facilities and operating advances until such time as the District can sell bonds. As reflected in the Statement of Net Position, \$820,000 has been recorded as a liability for operating advances. As of July 31, 2018, the Developer has indicated that approximately \$18,497,739 had been expended on behalf of the District in accordance with the agreement on completed projects. These liabilities have been recorded in the Statement of Net Position for these projects and reimbursement is contingent upon approval from the Commission and the future sale of bonds.

**NOTE 9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage since inception of the District.

**NOTE 10. UTILITY FUNCTIONS AGREEMENT**

On October 24, 2013, Conroe CS Texas Holdings LP, (the “Developer”) acting on behalf of the District entered into the Utility Functions Agreement with the City of Conroe (the “City”). The Agreement was assigned to the District by the Developer on April 23, 2015. Pursuant to this Agreement, the City consented to the creation of the District within its city limits. The District is responsible for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection, drainage and road facilities (the “Facilities”) to serve development within the District. The City has agreed to accept the Facilities for operation and maintenance in consideration for the District’s financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Agreement provides that the Facilities shall be designed and constructed in accordance with the City’s requirements. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without charging the District any type of capital charge. In accordance with the Agreement, the District is authorized to issue bonds for the purpose of financing the construction and acquisition of the Facilities.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 10. UTILITY FUNCTIONS AGREEMENT (Continued)**

The Agreement provides that the City will pay an annual rebate to the District. The annual rebate, which is waived by the District during the period under which the City makes payments to the District under the Reimbursement Agreement and Economic Development Agreement (see Note 11), is equal to the total assessed value in the District for the given year multiplied by the portion of the City's tax rate that is attributable to water, sewer and drainage facilities.

The term of the Agreement is the earlier of the dissolution of the District by the City or 40 years. The City's right to dissolve the District is restricted per the Agreement. Under the terms of the Agreement, the City agrees that it will not dissolve the District until certain conditions have been met, including (i) 90% of the District's facilities have been developed and (ii) the Developers have been reimbursed for advancing funds to construct the Facilities to the maximum extent permitted by the rules of the Commission or the City assumes any obligations for such payment by the District under such rules.

**NOTE 11. REIMBURSEMENT AND ECONOMIC DEVELOPMENT AGREEMENTS WITH THE CITY OF CONROE**

On October 24, 2013, the Developer entered into separate Reimbursement and Economic Development Agreements with the City. The Agreements were assigned to the District on April 23, 2015.

The Reimbursement Agreement calls for the City to reimburse the District a maximum of \$10,000,000 plus interest for expenses related to floodplain streambed reclamation and mitigation, wetland reclamation and mitigation, recreational facilities and design, testing, construction and costs to obtain permits necessary to serve residential property within the District.

The Economic Development Agreement calls for the City to reimburse the District a maximum of \$10,000,000 plus interest for the expenses related to floodplain and streambed and mitigation, wetlands reclamation and mitigation and design, testing, surveying, construction and costs to obtain permits necessary to serve non-residential property within the District.

Both agreements call for an annual calculation of District credits based on increased ad valorem tax revenue received by the City as a result of growth in the District's taxable value and specify the dates and methodology by which the District credits are to be calculated and when they are to be paid. No amounts have yet been paid by the City to the District per these Agreements as of the end of the current year.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 12. ROAD AND PUBLIC IMPROVEMENTS AGREEMENT WITH MONTGOMERY COUNTY**

On November 13, 2013, the Developer entered into an Agreement with Montgomery County (the “County”). The Agreement was assigned to the District on April 23, 2015. It calls for the County to reimburse the District a maximum of \$20,000,000 for roads and public improvements, including related drainage and storm sewer facilities.

The Agreement specifies the methodology by which annual payments, which are based on the District’s taxable values, are to be calculated and additionally authorizes the District to issue bonds supported by these payments. No payments per this Agreement have yet been paid by the County to the District as of the end of the current fiscal year.

**NOTE 13. INTERLOCAL AGREEMENT WITH THE CITY OF CONROE**

Effective June 10, 2015, the District entered into an Interlocal Agreement with the City for the design, permitting and construction of regional road improvements and other improvements including drainage and landscaping necessary to serve property within the City and the District.

The Agreement authorizes the City to manage the construction projects and for the District to monitor and approve periodic payments related to such projects. Upon completion of the applicable facilities, the City shall submit a final accounting of all projects and the District shall remit any remaining payment to or receive any refund from the City within 60 days of its receipt of the final accounting. Notwithstanding the foregoing, the District shall not be obligated to reimburse the City for overhead administrative costs.

**NOTE 14. ECONOMIC DEPENDENCY**

The District’s Developer owns a substantial portion of the taxable property within the District. In addition, the District could be dependent upon the Developer for operating advances to meet its financial obligations. The Developer’s ability to make full and timely payments of taxes and operating advances could directly affect the District’s ability to meet its financial obligations.

**NOTE 15. SALE OF BOND ANTICIPATION NOTE**

On April 26, 2017, the District closed on the sale of its \$2,810,000 Series 2017 Bond Anticipation Note (BAN). Proceeds from the BAN sale were used to reimburse the Developer for a portion of the costs associated with construction and engineering for water, wastewater and drainage facilities to serve Grand Central Parkway, Crescent Campus Boulevard, Urban Avenue and Town Park Drive; clearing and grubbing; stormwater channel excavation, phase 1; master drainage plan costs; geotechnical fees; stormwater pollution plan fees; and to pay for issuance costs of the BAN. The BAN was redeemed with proceeds from the Series 2018 Bonds. See Note 16.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 16. BOND SALES**

On February 28, 2018, the District closed on the sale of its \$5,500,000 Series 2018 Unlimited Tax Bonds. Proceeds from the bond sale were used to redeem the Series 2017 BAN, and to reimburse the Developer for a portion of the costs associated with construction and engineering for water, wastewater and drainage facilities to serve Grand Central Parkway, Crescent Campus Boulevard, Urban Avenue and Town Park Drive; clearing and grubbing; stormwater channel excavation, phase 1; master drainage plan costs; geotechnical fees; stormwater pollution plan fees; and to pay developer interest, eighteen months of capitalized interest, and for issuance costs of the bonds.

On March 22, 2018, the District closed on the sale of its \$4,785,000 Series 2018 Unlimited Tax Road Bonds. Proceeds from the bond sale were used to reimburse the Developer for a portion of the costs associated with land acquisition, construction, pollution prevention and engineering for road facilities to serve Grand Central Park Sections 1, 2, 3, 4, 5 and 6; and to pay developer interest, eighteen months of capitalized interest, and for issuance costs of the bonds.

**NOTE 17. SUBSEQUENT EVENT**

On September 19, 2018, subsequent to fiscal year-end, the District adopted a Resolution Authorizing Application to the Commission for Approval of Project and Bonds in the amount of \$7,160,000. On October 29, 2018, subsequent to fiscal year-end, the District closed on the sale of its \$4,010,000 Bond Anticipation Note (BAN). Proceeds from the BAN will be used to reimburse the Developer for a portion of the costs associated with construction and engineering for water, wastewater and drainage facilities to serve Grand Central Parkway Sections 1, 2, 3, 4 and 5, developer advances, and for issuance costs of the BAN.

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**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**

**REQUIRED SUPPLEMENTARY INFORMATION**

**JULY 31, 2018**



**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR YEAR ENDED JULY 31, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 117,000	\$ 490,314	\$ 373,314
Investment Revenues	<u>                    </u>	<u>2,088</u>	<u>2,088</u>
<b>TOTAL REVENUES</b>	<u>\$ 117,000</u>	<u>\$ 492,851</u>	<u>\$ 375,851</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 459,012	\$ 374,443	\$ 84,569
Contracted Services	45,000	48,532	(3,532)
Repairs and Maintenance		10,600	(10,600)
Other	<u>34,000</u>	<u>72,909</u>	<u>(38,909)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 538,012</u>	<u>\$ 506,484</u>	<u>\$ 31,528</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (421,012)</u>	<u>\$ (13,633)</u>	<u>\$ 407,379</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Developer Advances	<u>\$ 552,000</u>	<u>\$ 150,000</u>	<u>\$ (402,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 130,988	\$ 136,367	\$ 5,379
<b>FUND BALANCE - AUGUST 1, 2017</b>	<u>55,849</u>	<u>55,849</u>	<u>                    </u>
<b>FUND BALANCE - JULY 31, 2018</b>	<u>\$ 186,837</u>	<u>\$ 192,216</u>	<u>\$ 5,379</u>

See accompanying independent auditor's report.

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**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**JULY 31, 2018**



**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2018**

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

<u>N/A</u>	Retail Water	<u>N/A</u>	Wholesale Water	<u>X</u>	Drainage
<u>N/A</u>	Retail Wastewater	<u>N/A</u>	Wholesale Wastewater	<u>N/A</u>	Irrigation
<u>N/A</u>	Parks/Recreation	<u>N/A</u>	Fire Protection	<u>N/A</u>	Security
<u>N/A</u>	Solid Waste/Garbage	<u>N/A</u>	Flood Control	<u>N/A</u>	Roads
<u>N/A</u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u>N/A</u>	Other (specify): _____				

The District receives retail water and wastewater services from the City of Conroe (the "City"). In this arrangement certain water and wastewater facilities constructed by the District will be conveyed to the City. The City will maintain the facilities and operate the facilities for the benefit of the residents of the District. Therefore, the District will not be responsible for operation of the utilities within its boundaries.

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order approved N/A .

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	N/A				
WASTEWATER:	N/A				
SURCHARGE:	N/A				

District employs winter averaging for wastewater usage?            X  
Yes                      No

Total monthly charges per 10,000 gallons usage: Water: \$N/A Wastewater: \$N/A Surcharge: \$N/A

See accompanying independent auditor's report.



**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED JULY 31, 2018**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes \_\_\_ No X

Does the District have Operation and Maintenance standby fees? Yes \_\_\_ No X

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No \_\_\_\_\_

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely X Partly \_\_\_\_\_ Not at all \_\_\_\_\_

City in which District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes X No \_\_\_\_\_

By City of Conroe, Texas

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED JULY 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 9,250
Engineering	76,703
Legal	288,449
Delinquent Tax Attorney	<u>41</u>
TOTAL PROFESSIONAL FEES	<u>\$ 374,443</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 4,540
Bookkeeping	36,308
Tax Collector	<u>7,684</u>
TOTAL CONTRACTED SERVICES	<u>\$ 48,532</u>
UTILITIES:	
Electricity	<u>\$ 3,079</u>
REPAIRS AND MAINTENANCE	<u>\$ 10,600</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 5,494
Legal Notices	846
Office Supplies and Postage	8,385
Other	<u>55,105</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 69,830</u>
TOTAL EXPENDITURES	<u>\$ 506,484</u>

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**INVESTMENTS**  
**FOR THE YEAR ENDED JULY 31, 2018**

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0005	Varies	Daily	\$ 263,919	\$ _____
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 303,200	\$ _____
TexPool	XXXX0004	Varies	Daily	269,729	_____
TOTAL DEBT SERVICE FUND				<u>\$ 572,929</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 229,848	\$ _____
TexPool	XXXX0003	Varies	Daily	25,333	_____
TOTAL CAPITAL PROJECTS FUND				<u>\$ 255,181</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 1,092,029</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JULY 31, 2018**

	Maintenance Taxes	
TAXES RECEIVABLE - AUGUST 1, 2017	\$ -0-	
Adjustments to Beginning Balance	_____	\$ -0-
Original 2017 Tax Levy	\$ 518,553	
Adjustment to 2017 Tax Levy	(13,738)	504,815
TOTAL TO BE ACCOUNTED FOR		\$ 504,815
TAX COLLECTIONS:		
Prior Years	\$ _____	
Current Year	490,314	490,314
TAXES RECEIVABLE - JULY 31, 2018		\$ 14,501
TAXES RECEIVABLE BY YEAR:		
2017		\$ 14,501

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JULY 31, 2018**

	2017	2016	2015
<b>PROPERTY VALUATIONS:</b>			
Land	\$ 65,400,200	\$ 30,547,000	\$ 27,865,790
Improvements	9,564,630	201,160	200,010
Personal Property	20,000	94	0
Exemptions	(18,894,304)	(17,429,644)	(20,145,900)
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 56,090,526</b>	<b>\$ 13,318,610</b>	<b>\$ 7,919,900</b>
<b>TAX RATES PER \$100 VALUATION:</b>			
Maintenance	\$ 0.90	\$ 0.90	\$ 0.90
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 504,815</b>	<b>\$ 119,867</b>	<b>\$ 71,279</b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>			
	<b>97.13 %</b>	<b>100.00 %</b>	<b>100.00 %</b>

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

Maintenance Tax – A tax not to exceed \$1.00 per \$100 of assessed valuation approved by voters on November 3, 2015.

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2018**

S E R I E S - 2 0 1 8			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$	\$ 96,641	\$ 96,641
2020	135,000	190,112	325,112
2021	140,000	187,413	327,413
2022	150,000	184,613	334,613
2023	155,000	180,112	335,112
2024	160,000	175,463	335,463
2025	170,000	170,663	340,663
2026	175,000	165,562	340,562
2027	180,000	160,313	340,313
2028	190,000	154,912	344,912
2029	200,000	149,213	349,213
2030	205,000	142,962	347,962
2031	215,000	136,300	351,300
2032	225,000	129,044	354,044
2033	235,000	121,168	356,168
2034	245,000	112,944	357,944
2035	255,000	104,368	359,368
2036	265,000	95,444	360,444
2037	275,000	85,837	360,837
2038	290,000	75,525	365,525
2039	300,000	64,650	364,650
2040	315,000	53,400	368,400
2041	325,000	40,800	365,800
2042	340,000	27,800	367,800
2043	355,000	14,200	369,200
	\$ 5,500,000	\$ 3,019,459	\$ 8,519,459

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2018**

S E R I E S - 2 0 1 8   R O A D			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$	\$      76,022	\$      76,022
2020	120,000	172,125	292,125
2021	125,000	168,525	293,525
2022	130,000	164,775	294,775
2023	135,000	160,875	295,875
2024	140,000	156,825	296,825
2025	145,000	152,625	297,625
2026	150,000	148,275	298,275
2027	160,000	143,775	303,775
2028	165,000	138,975	303,975
2029	175,000	133,817	308,817
2030	180,000	128,132	308,132
2031	190,000	122,056	312,056
2032	195,000	115,406	310,406
2033	205,000	108,582	313,582
2034	210,000	101,150	311,150
2035	220,000	93,275	313,275
2036	230,000	85,025	315,025
2037	240,000	76,400	316,400
2038	250,000	66,800	316,800
2039	260,000	56,800	316,800
2040	270,000	46,400	316,400
2041	285,000	35,600	320,600
2042	295,000	24,200	319,200
2043	310,000	12,400	322,400
	\$      4,785,000	\$      2,688,840	\$      7,473,840

See accompanying independent auditor's report.

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**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2018**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$	\$	\$
2020	255,000	172,663	172,663
2021	265,000	362,237	617,237
2022	280,000	355,938	620,938
2023	290,000	349,388	629,388
2024	290,000	340,987	630,987
2025	300,000	332,288	632,288
2026	315,000	323,288	638,288
2027	325,000	313,837	638,837
2028	340,000	304,088	644,088
2029	355,000	293,887	648,887
2030	375,000	283,030	658,030
2031	385,000	271,094	656,094
2032	405,000	258,356	663,356
2033	420,000	244,450	664,450
2034	440,000	229,750	669,750
2035	455,000	214,094	669,094
2036	475,000	197,643	672,643
2037	495,000	180,469	675,469
2038	515,000	162,237	677,237
2039	540,000	142,325	682,325
2040	560,000	121,450	681,450
2041	585,000	99,800	684,800
2042	610,000	76,400	686,400
2043	635,000	52,000	687,000
	665,000	26,600	691,600
	<u>\$ 10,285,000</u>	<u>\$ 5,708,299</u>	<u>\$ 15,993,299</u>

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED JULY 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2017	
Conroe Municipal Management District No. 1 Unlimited Tax Bonds - Series 2018	\$ 5,500,000	\$	
Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds - Series 2018	<u>4,785,000</u>	<u>                    </u>	
TOTAL	<u>\$ 10,285,000</u>	<u>\$ - 0 -</u>	
Bond Authority:	Bonds	Road Bonds	Recreational Facilities Bonds
Amount Authorized by Voters	\$ 250,800,000	\$ 187,550,000	\$ 29,700,000
Amount Issued	<u>5,500,000</u>	<u>4,785,000</u>	<u>                    </u>
Remaining to be Issued	<u>\$ 245,300,000</u>	<u>\$ 182,765,000</u>	<u>\$ 29,700,000</u>
Debt Service Fund cash and investments balances as of July 31, 2018:			<u>\$ 572,929</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 639,732</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$ 5,500,000	\$	\$	\$ 5,500,000	Regions Bank, an Alabama Banking Corporation Houston, TX
<u>4,785,000</u>			<u>4,785,000</u>	Regions Bank, an Alabama Banking Corporation Houston, TX
<u>\$ 10,285,000</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 10,285,000</u>	

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - THREE YEARS**

	Amounts	
	2018	2017
<b>REVENUES</b>		
Property Taxes	\$ 490,314	\$ 119,867
Investment Revenues	2,088	15
Miscellaneous Revenues	449	223
<b>TOTAL REVENUES</b>	<b>\$ 492,851</b>	<b>\$ 120,105</b>
<b>EXPENDITURES</b>		
Professional Fees	\$ 374,443	\$ 338,630
Contracted Services	48,532	37,080
Repairs and Maintenance	10,600	
Other	72,909	12,595
<b>TOTAL EXPENDITURES</b>	<b>\$ 506,484</b>	<b>\$ 388,305</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (13,633)</b>	<b>\$ (268,200)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Developer Advances	\$ 150,000	\$ 300,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 136,367</b>	<b>\$ 31,800</b>
<b>BEGINNING FUND BALANCE</b>	<b>55,849</b>	<b>24,049</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 192,216</b>	<b>\$ 55,849</b>

\* First year audit

See accompanying independent auditor's report.

	Percentage of Total Revenues		
<u>2016*</u>	<u>2018</u>	<u>2017</u>	<u>2016*</u>
\$ 71,279	99.5 %	99.8 %	100.0 %
7	0.4		
	0.1	0.2	
<u>\$ 71,286</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 453,876	76.0 %	281.9 %	636.7
45,191	9.8	30.9	63.4
	2.2		
<u>18,391</u>	<u>14.8</u>	<u>10.5</u>	<u>25.8</u>
<u>\$ 517,458</u>	<u>102.8 %</u>	<u>323.3 %</u>	<u>725.9 %</u>
<u>\$ (446,172)</u>	<u>(2.8) %</u>	<u>(223.3) %</u>	<u>(625.9)</u>
<u>\$ 370,000</u>			
\$ (76,172)			
<u>100,221</u>			
<u>\$ 24,049</u>			

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - THREE YEARS**

	Amounts	
	2018	2017
<b>REVENUES</b>		
Interest on Investments	\$ 3,899	\$ -0-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ 3,899	\$ -0-
<b>OTHER FINANCING SOURCES (USES)</b>		
Long-Term Debt Issued	\$ 544,731	\$ -0-
<b>NET CHANGE IN FUND BALANCE</b>	\$ 548,630	\$ -0-
<b>BEGINNING FUND BALANCE</b>	_____	_____
<b>ENDING FUND BALANCE</b>	\$ 548,630	\$ -0-
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	N/A	N/A
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	N/A	N/A

\* First year audit

See accompanying independent auditor's report.

	Percentage of Total Revenue		
<u>2016*</u>	<u>2018</u>	<u>2017</u>	<u>2016*</u>
\$ <u>-0-</u>	<u>100.0</u> %	<u>      </u> %	<u>      </u> %
\$ <u>-0-</u>	<u>100.0</u> %	<u>N/A</u> %	<u>N/A</u> %
\$ <u>-0-</u>			
\$ <u>-0-</u>			
<u>      </u>			
\$ <u>-0-</u>			
<u>N/A</u>			
<u>N/A</u>			

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JULY 31, 2018**

District Mailing Address - Conroe Municipal Management District No. 1  
c/o The Muller Law Group, PLLC  
202 Century Square Boulevard  
Sugar Land, TX 77478

District Telephone Number - (281) 500-6050

<b>Board Members</b>	<u>Term of Office (Elected or Appointed)</u>	<u>Expense Reimbursements for year ended July 31, 2018</u>	<u>Title</u>
Chris Denison	04/15 04/19 (Appointed)	\$ -0-	President
Dennis Bailey	04/17 04/21 (Appointed)	\$ -0-	Vice President
Charlie Reinhardt	04/15 04/19 (Appointed)	\$ -0-	Secretary
Barry Corbitt	07/18 04/21 (Appointed)	\$ -0-	Assistant Vice President
Steve Hailey	04/15 04/19 (Appointed)	\$ -0-	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):  
April 10, 2018.

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JULY 31, 2018**

<b>Consultants:</b>	Date Hired	Fees for the year ended July 31, 2018	Title
The Muller Law Group, PLLC	04/23/15	\$ 141,758 \$ 265,700	General Counsel Bond Related
McCall Gibson Swedlund Barfoot PLLC	07/20/16	\$ 9,250 \$ 21,650	Auditor Bond Related
AVANTA Services	05/20/15	\$ 46,854	Bookkeeper
LJA Engineering, Inc.	04/23/15	\$ 76,703	Engineer
Robert W. Baird & Co. Incorporated	04/23/15	\$ 212,227	Financial Advisor
Assessments of the Southwest, Inc.	04/23/15	\$ 8,332	Tax Assessor/ Collector
<b>Environmental Consultants:</b>			
Sharon M Mattox, PLLC	04/20/15	\$ 58,125	Environmental Counsel
Berg Oliver Associates, Inc.	04/30/15	\$ 54,700	Environmental Services
Blackburn & Carter	04/30/15	\$ 1,575	Environmental Counsel

See accompanying independent auditor's report.

