EXHIBIT "B"

SERVICE AGREEMENT

1. PURPOSE. The VALLEY RANCH MUNICIPAL UTILITY DISTRICT NO. 1 ("District") is responsible for protecting the drinking water supply from contamination or pollution which could result from improper plumbing practices. The purpose of this service agreement is to notify each customer of the plumbing restrictions which are in place to provide this protection. The District enforces these restrictions to ensure the public health and welfare. Each customer must sign this agreement before the District will begin service. In addition, when service to an existing connection has been suspended or terminated, the District will not re-establish service unless it has a signed copy of this agreement.

2. PLUMBING RESTRICTIONS. The following unacceptable plumbing practices are prohibited by State regulations

A. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an air-gap or an appropriate backflow prevention device

B. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device.

C. No connection which allows water to be returned to the public drinking water supply is permitted

D. No pipe or pipe fitting which contains more than a weighted average of 0.25% lead may be used for the installation or repair of plumbing at any connection which provides water for human use.

E. No solder or flux which contains more than 0.2 percent lead can be used for the installation or repair of plumbing at any connection which provides water for human use.

3. SERVICE AGREEMENT. The following are the terms of the service agreement between the VALLEY RANCH MUNICIPAL UTILITY DISTRICT NO. 1 (the "District") and _____ (the "Customer")

A. The District will maintain a copy of this agreement as long as Customer and/or the premises are connected to the District's water system.

B. Customer shall allow his/her property to be inspected for possible cross-connections and other unacceptable plumbing practices. These inspections shall be conducted by the District or its designated agent prior to initiating new water service, when there is reason to believe that cross-connections or other unacceptable plumbing practices

exist or after any major changes to the private plumbing facilities. The inspections shall be conducted during the District's normal business hours.

C. The District shall notify Customer in writing of any cross-connection or other unacceptable plumbing practice which has been identified during the initial inspection or the periodic reinspection.

D. Customer shall immediately correct any unacceptable plumbing practice on his/her premises.

E. Customer shall, at his/her expense, properly install, test, and maintain any backflow prevention device required by the District. Copies of all testing and maintenance records shall be provided to the District.

G. Customer understands and agrees that the District does not guarantee any specific quantity or pressure of water for any purpose whatsoever and that the District is not liable to customer for failure or refusal to furnish any particular amount or pressure of water to Customer at any time.

4. **ENFORCEMENT.** If Customer fails to comply with the terms of the Service Agreement, the District shall, at its option, either terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this Service Agreement shall be billed to Customer.

CUSTOMER'S SIGNATURE: _____

DATE: _____

ADDRESS: _____

EXHIBIT "C"

Backflow Prevention Assembly Test and Maintenance Report

The following form must be completed for each assembly tested. A signed and dated original must be submitted to the public water supplier for recordkeeping purposes.

BACKFLOW PREVENTION ASSEMBLY TEST AND MAINTENANCE REPORT

NAME OF PWS _____

PWS I.D. # _____

LOCATION OF SERVICE _____

The backflow prevention assembly detailed below has been tested and maintained as required by TNRCC regulations and is certified to be operating within acceptable parameters.

Not needed at this address

TYPE OF ASSEMBLY

Reduced Pressure Principle
Double Check Valve

Pressure Vacuum Breaker
Atmosphere Vacuum Breaker

Manufacturer _____ Size _____

Model Number _____ Located At _____

Serial Number _____

	Reduced Pressure Principle Assembly			Pressure Vacuum Breaker	
	Dbl. Ck Check Valve Assembly		Relief Valve	Air Inlet	Check Valve
	1st Check	2nd Check			
Initial Test	DC - Closed Tight RP ___ psid Leaked	Closed Tight Leaked	Opened at ___ psid	Opened at ___ psid Did Not Open	___ psid Leaked
Repairs and Materials Used					
Test After Repair	DC - Closed Tight RP ___ psid Leaked	Closed Tight	Opened at ___ psid	Opened at ___ psid	psid

The above is certified to be true

Firm name _____ Certified Tester _____

Firm Address _____ Cert. Tester No. _____

Date _____

EXHIBIT "D"

Customer Service Inspection Certification

Name of PWS PWS I.D.#
Location of Service

Reason for Inspection New construction
Existing service where contaminant hazards are suspected
Major renovation or expansion of distribution facilities

I, , upon inspection of the private water distribution facilities connected to the aforementioned public water supply do hereby certify that, to the best of my knowledge

	Compliance	Non-Compliance
No direct connection between the public water supply and a potential source of contamination exists. Potential sources of contamination are isolated from the public water system by an air gap or an appropriate backflow prevention assembly in accordance with Commission regulations		
No cross-connection between the public drinking water supply and a private water system exists. Where an actual air gap is not maintained between the public water supply and a private water supply, an approved reduced pressure-zone backflow prevention assembly is properly installed and a service agreement exists for annual inspection and testing by a certified backflow prevention assembly tester		
No connection exists which would allow the return of water used for condensing, cooling or industrial processes back to the public water supply.		
No pipe or pipe fitting which contains more than a weighted average of 0.25% lead exists in private water distribution facilities installed on or after January 4, 2014		
No solder or flux which contains more than 0.2% lead exists in private water distribution facilities installed on or after July 1, 1988		

I further certify that the following materials were used in the installation of the private water distribution facilities:

Service Lines:	Lead	Copper	PVC	Other
Solder	Lead	Lead Free	Solvent Weld	Other

I recognize that this document shall become a permanent record of the aforementioned Public Water System and that I am legally responsible for the validity of the information I have provided.

Remarks

Signature of Inspector Registration Number

Title Type of Registration

Date

EXHIBIT B

VALLEY RANCH MUNICIPAL UTILITY DISTRICT NO. 1

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

June 30, 2017

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McGrath & Co., PLLC
Certified Public Accountants
P O Box 270148
Houston, Texas 77277

Mark W McGrath CPA
mark@mcgrath-co com

Colette M Garcia CPA
colette@mcgrath co com

Independent Auditors' Report

Board of Directors
Valley Ranch Municipal Utility District No. 1
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Valley Ranch Municipal Utility District No. 1, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Valley Ranch Municipal Utility District No. 1
Montgomery County, Texas

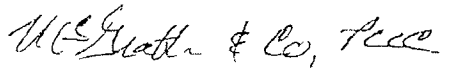
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Valley Ranch Municipal Utility District No. 1, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

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

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



Houston, Texas
October 25, 2017

Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Valley Ranch Municipal Utility District No. 1 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at June 30, 2017, was negative $1,954,391. A comparative summary of the District's overall financial position, as of June 30, 2017 and 2016, is as follows:

	2017	2016
Current and other assets	$ 4,017,144	$ 4,343,439
Capital assets	15,552,245	13,124,885
Total assets	19,569,389	17,468,324
Total deferred outflows of resources	374,460	
Current liabilities	1,326,814	2,227,001
Long-term liabilities	20,571,426	15,841,999
Total liabilities	21,898,240	18,069,000
Net position		
Net investment in capital assets	(5,023,414)	(3,328,368)
Restricted	1,328,453	1,023,454
Unrestricted	1,740,570	1,704,238
Total net position	$ (1,954,391)	$ (600,676)

The total net position of the District decreased during the current fiscal year by $1,353,715. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2017	2016
Revenues		
Water and sewer service	$ 792,642	$ 655,909
Property taxes, penalties and interest	1,532,117	1,427,044
Other	60,041	111,439
Total revenues	2,384,800	2,194,392
Expenses		
Current service operations	1,345,837	1,305,152
Interest and fees	1,320,010	470,804
Debt issuance costs	672,028	25,900
Depreciation and amortization	400,640	297,243
Total expenses	3,738,515	2,099,099
Change in net position	(1,353,715)	95,293
Net position, beginning of year	(600,676)	(695,969)
Net position, end of year	$ (1,954,391)	$ (600,676)

Financial Analysis of the District's Funds

The District's combined fund balances, as of June 30, 2017, were $3,294,207, which consists of $1,737,868 in the General Fund, $1,490,032 in the Debt Service Fund, and $66,307 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of June 30, 2017 and 2016 is as follows

	2017	2016
Total assets	$ 2,451,915	$ 2,226,429
Total liabilities	$ 711,345	$ 522,191
Total deferred inflows	2,702	4,260
Total fund balance	1,737,868	1,699,978
Total liabilities, deferred inflows and fund balance	$ 2,451,915	$ 2,226,429

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

	2017	2016
Total revenues	$ 1,330,558	$ 1,255,093
Total expenditures	(1,336,200)	(1,225,730)
Revenues over/(under) expenditures	(5,642)	29,363
Other changes in fund balance	43,532	
Net change in fund balance	$ 37,890	$ 29,363

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of June 30, 2017 and 2016 is as follows:

	2017	2016
Total assets	$ 1,497,424	$ 1,191,994
Total liabilities	$ 166	$ 164
Total deferred inflows	7,226	10,880
Total fund balance	1,490,032	1,180,950
Total liabilities, deferred inflows and fund balance	$ 1,497,424	$ 1,191,994

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

	2017	2016
Total revenues	$ 1,079,121	$ 943,431
Total expenditures	(942,218)	(794,943)
Revenues over expenditures	136,903	148,488
Other changes in fund balance	172,179	
Net change in fund balance	$ 309,082	$ 148,488

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

During the current year, the District issued $3,760,000 in refunding bonds to refund $3,670,000 of its outstanding Series 2008 and Series 2009 bonds. This refunding will save the District $1,022,957 in future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of June 30, 2017 and 2016 is as follows:

	2017	2016
Total assets	$ 67,805	$ 925,016
Total liabilities	$ 1,498	$ 1,270
Total fund balance	66,307	923,746
Total liabilities and fund balance	$ 67,805	$ 925,016

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

	2017	2016
Total revenues	$ 375	$ 1,196
Total expenditures	(5,720,282)	(1,279,379)
Revenues under expenditures	(5,719,907)	(1,278,183)
Other changes in fund balance	4,862,468	1,245,000
Net change in fund balance	$ (857,439)	$ (33,183)

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2016 and Series 2017 Unlimited Tax Bonds in the current year and Series 2015 Bond Anticipation Note in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $36,810 less than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at June 30, 2017 and 2016 are summarized as follows.

	2017	2016
Capital assets not being depreciated		
Land and improvements	$ 3,028,368	$ 3,272,597
Construction in progress	34,482	
	3,062,850	3,272,597
Capital assets being depreciated/amortized		
Infrastructure	12,614,979	10,696,257
Park improvements	1,314,952	240,927
Impact fees	866,890	821,890
	14,796,821	11,759,074
Less accumulated depreciation/amortization		
Infrastructure	(1,849,922)	(1,567,572)
Park improvements	(140,172)	(65,227)
Impact fees	(317,332)	(273,987)
	(2,307,426)	(1,906,786)
Depreciable capital assets, net	12,489,395	9,852,288
Capital assets, net	$ 15,552,245	$ 13,124,885

Capital asset additions during the current year include the following:

- Azalea District at Valley Ranch – landscaping improvements
- Azalea District - hardscape improvements
- Azalea District Sections 2 and 3 - Phase 2 water, sewer, and drainage improvements
- Valley Ranch Section 7 - water, sewer, and drainage improvements

The District's construction in progress is for costs related to the construction of the wastewater treatment plant expansion.

Long-Term Debt and Related Liabilities

As of June 30, 2017, the District owes $5,051,072 to developers for completed projects. As discussed in Note 7, the District has an additional commitment in the amount of $805,838 for projects under construction by the developers. As previously mentioned, the District will owe its developers for these projects upon completion of construction, at which time the capital assets and related liability will be recorded on the District's financial statements. The District intends to reimburse the developers from proceeds of future bond issues.

At June 30, 2017 and 2016, the District had total bonded debt outstanding as shown below:

Series	2017	2016
2008	$ 75,000	$ 2,240,000
2009	190,000	1,830,000
2010	1,825,000	1,870,000
2012	1,350,000	1,400,000
2014	1,425,000	1,460,000
2014A	960,000	985,000
2016	2,465,000	
2016A Refunding	3,760,000	
2017	3,800,000	
	$ 15,850,000	$ 9,785,000

During the year, the District issued $10,025,000 in unlimited tax bonds. At June 30, 2017, the District had $104,045,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; $14,000,000 for parks and recreational facilities; and $121,010,000 for refunding purposes.

Next Year's Budget

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

	2017 Actual	2018 Budget
Total revenues	$ 1,330,558	$ 1,289,500
Total expenditures	(1,336,200)	(1,660,400)
Revenues under expenditures	(5,642)	(370,900)
Other changes in fund balance	43,532	
Net change in fund balance	37,890	(370,900)
Beginning fund balance	1,699,978	1,737,868
Ending fund balance	$ 1,737,868	$ 1,366,968

Property Taxes

The District's property tax base increased approximately $8,812,000 for the 2017 tax year from $131,898,595 to $140,710,423. This increase was primarily due to new construction in the District. For the 2017 tax year, the District has levied a maintenance tax rate of $0.36 per $100 of assessed value and a debt service tax rate of $0.79 per $100 of assessed value, for a total combined tax rate of $1.15 per $100. These are the same rates levied for the 2016 tax year.

Basic Financial Statements

Valley Ranch Municipal Utility District No. 1
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 105,613	$ 53,179	$ 80,518	$ 239,310	$ -	$ 239,310
Investments	2,171,075	1,440,369		3,611,444		3,611,444
Taxes receivable	2,702	7,226		9,928		9,928
Customer service receivables, net	136,990			136,990		136,990
Internal balances	16,063	(3,350)	(12,713)			
Other receivables	8,017			8,017		8,017
Prepaid items	11,455			11,455		11,455
Capital assets not being depreciated					3,062,850	3,062,850
Capital assets, net					12,489,395	12,489,395
Total Assets	$ 2,451,915	$ 1,497,424	$ 67,805	$ 4,017,144	15,552,245	19,569,389
Deferred Outflows of Resources						
Deferred difference on refunding					374,460	374,460
Liabilities						
Accounts payable	$ 123,210	$ -	$ 1,498	$ 124,708		124,708
Other payables	160	166		326		326
Customer deposits	79,620			79,620		79,620
Unearned revenue	88,355			88,355		88,355
Due to other governments	420,000			420,000		420,000
Accrued interest payable					168,805	168,805
Due to developers					5,051,072	5,051,072
Long-term debt						
Due within one year					445,000	445,000
Due after one year					15,520,354	15,520,354
Total Liabilities	711,345	166	1,498	713,009	21,185,231	21,898,240
Deferred Inflows of Resources						
Deferred property taxes	2,702	7,226		9,928	(9,928)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	11,455			11,455	(11,455)	
Restricted		1,490,032	66,307	1,556,339	(1,556,339)	
Unassigned	1,726,413			1,726,413	(1,726,413)	
Total Fund Balances	1,737,868	1,490,032	66,307	3,294,207	(3,294,207)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,451,915	$ 1,497,424	$ 67,805	$ 4,017,144		
Net Position						
Net investment in capital assets					(5,023,414)	(5,023,414)
Restricted for debt service					1,328,453	1,328,453
Unrestricted					1,740,570	1,740,570
Total Net Position					$ (1,954,391)	$ (1,954,391)

See notes to basic financial statements

Valley Ranch Municipal Utility District No. 1
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 401,491	$ -	$ -	$ 401,491	$ -	$ 401,491
Sewer service	391,151			391,151		391,151
Property taxes	476,380	1,044,252		1,520,632	(3,837)	1,516,795
Penalties and interest	8,014	8,683		16,697	(1,375)	15,322
Tap connection and inspection	34,829			34,829		34,829
Accrued interest on bonds sold		20,042		20,042	(20,042)	
Miscellaneous	7,281	34		7,315		7,315
Investment earnings	11,412	6,110	375	17,897		17,897
Total Revenues	1,330,558	1,079,121	375	2,410,054	(25,254)	2,384,800
Expenditures/Expenses						
Current service operations						
Purchased services	414,842			414,842		414,842
Professional fees	176,837	550	59,601	236,988		236,988
Contracted services	285,470	24,717		310,187		310,187
Repairs and maintenance	226,154			226,154		226,154
Utilities	19,316			19,316		19,316
Administrative	22,589	4,251		26,840		26,840
Lease	95,100			95,100		95,100
Other	16,410			16,410		16,410
Capital outlay	79,482		4,285,512	4,364,994	(4,364,994)	
Debt service						
Principal		290,000		290,000	(290,000)	
Interest and fees		454,500	871,341	1,325,841	(5,831)	1,320,010
Debt issuance costs		168,200	503,828	672,028		672,028
Depreciation and amortization					400,640	400,640
Total Expenditures/Expenses	1,336,200	942,218	5,720,282	7,998,700	(4,260,185)	3,738,515
Revenues Over/(Under) Expenditures	(5,642)	136,903	(5,719,907)	(5,588,646)	5,588,646	
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			6,265,000	6,265,000	(6,265,000)	
Proceeds from sale of refunding bonds		3,760,000		3,760,000	(3,760,000)	
Bond premium		380,662		380,662	(380,662)	
Bond discount			(114,000)	(114,000)	114,000	
Payment to refunded bond escrow agent		(3,968,483)		(3,968,483)	3,968,483	
Repayment of bond anticipation note			(1,245,000)	(1,245,000)	1,245,000	
Internal transfers	43,532		(43,532)			
Net Change in Fund Balances	37,890	309,082	(857,439)	(510,467)	510,467	
Change in Net Position					(1,353,715)	(1,353,715)
Fund Balance/Net Position						
Beginning of the year	1,699,978	1,180,950	923,746	3,804,674	(4,405,350)	(600,676)
End of the year	$ 1,737,868	$ 1,490,032	$ 66,307	$ 3,294,207	$ (5,248,598)	$ (1,954,391)

See notes to basic financial statements

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Valley Ranch Municipal Utility District No. 1 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated January 22, 2006, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 3, 2006 and the first bonds were sold on May 28, 2008

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At June 30, 2017, an allowance of $1,300 was provided for possible uncollectible water/sewer accounts. An allowance for possible uncollectible property taxes was not considered necessary.

Interfund Activity

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

Capital Assets

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

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Park Improvements	10-30 years
Impact fees	20 years

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

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

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 3,294,207
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 17,859,671	
Less accumulated depreciation/amortization	(2,307,426)	
Change due to capital assets		15,552,245
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.		374,460
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of		
Bonds payable, net	(15,965,354)	
Interest payable on bonds	(168,805)	
Change due to long-term debt		(16,134,159)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the *Statement of Net Assets.*		(5,051,072)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds		9,928
Total net position - governmental activities		$ (1,954,391)

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

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

Net change in fund balances - total governmental funds		$ (510,467)
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned The difference is for property taxes and related penalties and interest.		(5,212)
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds, however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	$ 4,364,994	
Depreciation/amortization expense	(400,640)	
		3,964,354
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets Other elements of debt financing are reported differently between the fund and government wide statements.		
Issuance of long term debt	(10,025,000)	
Bond discount	114,000	
Bond premium	(380,662)	
Payment to refunded bond escrow agent	3,968,483	
Principal payments	290,000	
Repayment of bond anticipation note	1,245,000	
Interest expense accrual	(14,211)	
		(4,802,390)
Change in net position of governmental activities		$ (1,353,715)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Restricted Cash

During the current year, the TCEQ approved the use of $834,000 in surplus bond proceeds from the District's Series 2008, 2010, 2012, and 2014A bond issues for the cost of certain water, wastewater, and drainage facilities to serve Azalea Boulevard.

Investments

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

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

Note 3 – Deposits and Investments (continued)

As of June 30, 2017, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	$ 2,171,075		
	Debt Service	1,440,369		
Total		$ 3,611,444	AAAm	38 days

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

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

Note 4 – Amounts Due to/from Other Funds

Amounts due to/from other funds at June 30, 2017, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	$ 16,063	$ -
Debt Service Fund	6,169	9,519
Capital Projects Fund		12,713
	$ 22,232	$ 22,232

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

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

During the current year, the Capital Projects Fund transferred $43,532 to the General Fund to reimburse bond application costs paid in the prior year.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended June 30, 2017, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 3,272,597	$ (244,229)	$ 3,028,368
Construction in progress		34,482	34,482
	3,272,597	(209,747)	3,062,850
Capital assets being depreciated/amortized			
Infrastructure	10,696,257	1,918,722	12,614,979
Park improvements	240,927	1,074,025	1,314,952
Impact fees	821,890	45,000	866,890
	11,759,074	3,037,747	14,796,821
Less accumulated depreciation/amortization			
Infrastructure	(1,567,572)	(282,350)	(1,849,922)
Park improvements	(65,227)	(74,945)	(140,172)
Impact fees	(273,987)	(43,345)	(317,332)
	(1,906,786)	(400,640)	(2,307,426)
Subtotal depreciable capital assets, net	9,852,288	2,637,107	12,489,395
Capital assets, net	$ 13,124,885	$ 2,427,360	$ 15,552,245

Depreciation/amortization expense for the current year was $400,640.

Note 6 – Bond Anticipation Note

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

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of $1,245,000. This BAN was repaid on August 30, 2016 with proceeds from the issuance of the District's Series 2016 Unlimited Tax Bonds.

Note 6 – Bond Anticipation Note (continued)

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

Beginning balance	$ 1,245,000
Amount repaid	(1,245,000)
Ending balance	$ -

Note 7 – Due to Developers

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

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

Due to developers, beginning of year	$ 6,588,066
Developer reimbursements	(4,285,512)
Developer funded construction and adjustments	2,748,518
Due to developers, end of year	$ 5,051,072

In addition, the District will owe the developers approximately $805,838, which is included in the following schedule of contractual commitments The exact amount is not known until approved by the TCEQ and verified by the District's auditor As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Azalea District force main for lift station	$ 595,774	$ -	$ 595,774
Azalea lift station improvements - Phase 2	210,064		210,064
	$ 805,838	$ -	$ 805,838

Note 8 – Long–Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 15,850,000
Unamortized discounts	(246,275)
Unamortized premium	361,629
	$ 15,965,354
Due within one year	$ 445,000

The District's bonds payable at June 30, 2017, consists of unlimited tax bonds as follows.

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2008	$ 75,000	$ 2,650,000	4.8% - 5.0%	September 1, 2009-2017	September 1, March 1	September 1, 2017
2009	190,000	2,100,000	6.2% - 6.3%	September 1, 2010-2019	September 1, March 1	September 1, 2018
2010	1,825,000	2,010,000	4.0% - 5.0%	September 1, 2012-2035	September 1, March 1	September 1, 2019
2012	1,350,000	1,500,000	2.0% - 4.0%	September 1, 2014-2037	September 1, March 1	September 1, 2020
2014	1,425,000	1,490,000	2.5% - 4.875%	September 1, 2015-2038	September 1, March 1	September 1, 2021
2014A	960,000	1,010,000	3.0% - 4.15%	September 1, 2015-2038	September 1, March 1	September 1, 2022
2016	2,465,000	2,465,000	1.0% - 3.0%	September 1, 2017-2038	September 1, March 1	September 1, 2023
2016A Refunding	3,760,000	3,760,000	2.0% - 4.0%	September 1, 2017-2035	September 1, March 1	September 1, 2024
2017	3,800,000	3,800,000	3.0% - 5.0%	September 1, 2018-2042	September 1, March 1	September 1, 2024
	$ 15,850,000					

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

Note 8 – Long-Term Debt (continued)

At June 30, 2017, the District had authorized but unissued bonds in the amount of $104,045,000 for water, sewer and drainage facilities; $14,000,000 for park and recreational facilities; and $121,010,000 for refunding purposes.

On August 30, 2016, the District issued its $2,465,000 Series 2016 Unlimited Tax Bonds at a net effective interest rate of 2.743779%. Proceeds of the bonds were used to reimburse developerss for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to repay a $1,245,000 BAN issued in the previous fiscal year

On October 13, 2016, the District issued its $3,760,000 Unlimited Tax Refunding Bonds at a net effective interest rate of 2.919991% to advance refund $3,670,000 of outstanding Series 2008 and 2009 bonds. The District advance refunded the bonds to reduce total debt service payments over future years by approximately $1,022,957 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $770,763. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments. As a result, the refunded bonds are considered defeased and the liability has been removed from the government-wide financial statements. As of June 30, 2017, the outstanding principal of defeased bonds is $3,670,000.

On May 30, 2017, the District issued its $3,800,000 Series 2017 Unlimited Tax Bonds at a net effective interest rate of 3.681375% Proceeds of the bonds were used to reimburse developerss for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds

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

Bonds payable, beginning of year	$	9,785,000
Bonds issued		10,025,000
Bonds retired		(290,000)
Bonds refunded		(3,670,000)
Bonds payable, end of year	$	15,850,000

Note 8 – Long–Term Debt (continued)

As of June 30, 2017, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2018	$ 445,000	$ 542,740	$ 987,740
2019	525,000	550,575	1,075,575
2020	550,000	533,622	1,083,622
2021	560,000	517,165	1,077,165
2022	570,000	501,418	1,071,418
2023	585,000	483,747	1,068,747
2024	605,000	463,966	1,068,966
2025	620,000	443,102	1,063,102
2026	635,000	421,156	1,056,156
2027	655,000	398,041	1,053,041
2028	680,000	373,856	1,053,856
2029	705,000	348,500	1,053,500
2030	720,000	321,982	1,041,982
2031	735,000	294,460	1,029,460
2032	755,000	265,910	1,020,910
2033	790,000	235,627	1,025,627
2034	815,000	203,634	1,018,634
2035	825,000	170,250	995,250
2036	860,000	135,127	995,127
2037	795,000	102,310	897,310
2038	805,000	72,484	877,484
2039	615,000	46,236	661,236
2040	250,000	30,625	280,625
2041	250,000	21,875	271,875
2042	250,000	13,125	263,125
2043	250,000	4,375	254,375
	$ 15,850,000	$ 7,495,907	$ 23,345,907

Note 9 – Property Taxes

On May 13, 2006, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Note 9 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2017 fiscal year was financed through the 2016 tax levy, pursuant to which the District levied property taxes of $1.15 per $100 of assessed value, of which $0.36 was allocated to maintenance and operations and $0.79 was allocated to debt service. The resulting tax levy was $1,516,834 on the adjusted taxable value of $131,898,595.

Property taxes receivable, at June 30, 2017, consisted of the following.

Current year taxes receivable	$	8,633
Penalty and interest receivable		1,295
Property taxes receivable	$	9,928

Note 10 – Lease Agreements

On February 22, 2006, the District and AUC Group, Inc. entered into an operating lease agreement for a temporary wastewater treatment plant (Phase 1). This lease was initially for a 60 month term It is currently being renewed every 90 days until otherwise terminated. Monthly payments for the Phase 1 lease are $4,600.

On September 24, 2008, the District and AUC Group, Inc. entered into an operating lease for Phase 2 of the temporary wastewater treatment plant. This lease was initially for a 60 month term. It is currently being renewed every 90 days until otherwise terminated. Monthly payments for the Phase 2 lease are $2,575

On June 23, 2010, the District and AUC Group, Inc. entered into an operating lease for Phase 2A of the temporary wastewater treatment plant. This lease was initially for a 60 month term. It is currently being renewed every 90 days until otherwise terminated. Monthly payments for the Phase 2A lease are $750.

On June 28, 2017, the District and AUC Group, Inc. entered into an operating lease for a temporary wastewater treatment plant. This lease is for a 60 month term, unless otherwise terminated, effective November 1, 2017 The District has the option to extend the lease on a month to month basis following expiration of the term Monthly payments for the lease are $13,600.

Note 10 – Lease Agreements (continued)

Future minimum lease payments under the term lease as of June 30, 2017 is as follows:

Year	Amount
2018	$ 122,400
2019	163,200
2020	163,200
2021	163,200
2022	163,200
2023	40,800
	$ 816,000

Total costs for the leases for the fiscal year ended June 30, 2017, were $95,100. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Standard lease terms required the District to prepay the first and last month's lease payment upon inception of the lease All such amounts are recorded as a prepaid expense on the *Statement of Net Position.*

Note 11 – Water Supply Agreement

On October 3, 2016, the District entered into a second amended and restated water supply agreement with Porter Special Utility District ("Porter SUD") to provide the District with treated water. It is estimated that the District will require 2,500 equivalent single family connections (ESFCs) at ultimate build out. At the time of the agreement Porter SUD had capacity for 1,000 ESFCs. The District can request additional capacity from Porter SUD, limited to 750 ESFC's per request and no more than one request per 12 month period. If Porter SUD cannot meet the District's capacity requirements within any 24 month period, then the District has the right to construct a water plant The District is responsible for the cost of all water lines constructed within its boundaries to serve its customers

The District will pay Porter SUD the Porter SUD impact fee on a per connection basis, quarterly, in accordance with the Porter SUD impact fee schedule uniformly applied to all that connect to the Porter SUD system, which is currently $1,800 per ESFC. The District paid $45,000 to Porter SUD during the current year for additional capacity.

The District pays Porter SUD on a monthly basis for the amount of water used based on a wholesale rate which is a base of $310 plus $2.10 per 1,000 gallons used. Porter SUD must provide a 60 day notice of any changes in the rate. Porter SUD's meters were not functioning properly in the current and prior fiscal year As a result, the District has not paid for all of the water received. The District estimates that it owes Porter SUD approximately $420,000. This amount has been accrued as of June 30, 2017 and is shown on the *Statement of Net Position* as "Due to other governments." The total cost of water purchased from Porter SUD during the fiscal year was $354,280 (inclusive of the estimated accrual).

Note 12 – Wastewater Treatment Capacity Agreement

On August 3, 2004, the developers (SIG Valley Ranch, Ltd.) entered into a wastewater treatment plant (WWTP) capacity agreement, as amended, with Porter Municipal Utility District ("Porter MUD") for the sharing of a future permanent WWTP. The agreement was assigned to the District on September 27, 2006. The District is responsible for the cost of all sewer lines constructed within its boundaries to serve its customers. Porter MUD and the District agreed that Porter MUD did not currently have sufficient WWTP facilities to serve the District in an economical manner. Both parties agreed that a temporary WWTP would be more prudent until the District has more demand. The District agreed to lease a temporary WWTP at its sole cost until such time that the permanent WWTP is completed and to locate the temporary plant on a site provided by the District.

If the decision is made to proceed with the construction of the permanent WWTP, the District will advance funds to Porter MUD for its portion of construction costs. The District will provide the site for such permanent plant and the value of the land where the permanent WWTP will be constructed will be credited towards the District's portion of overall costs. The District will own a proportionate share of the permanent WWTP based on the District's capital contribution.

Porter MUD shall deliver to the District an Annual System Budget (ASB) at least 90 days prior to the beginning of Porter MUD's fiscal year. The ASB shall break down the District's portion of operating costs for the upcoming year. The parties shall meet semi-annually to go over the ASB and make amendments as necessary. The District shall have the right to have an independent auditor audit the Porter MUD accounting records.

The parties will apportion the operating costs of the system based on their respective proportional wastewater flow rates as a percentage of the total flow to the interim WWTP. The District's percentage share of such cost shall be calculated by dividing the difference between the total flow reading and Porter MUD's flow meter reading by the total flow reading at the plant.

The parties' percentage shares of operating costs of the system was re-calculated and reapportioned once the interim WWTP expanded to a capacity of 200,000 gallons per day and will be re-calculated again every six months thereafter based on the current average 30-day flow readings. During the current fiscal year, the District paid Porter MUD $94,018 pursuant to this agreement.

Note 12 – Wastewater Treatment Capacity Agreement (continued)

Amendments to Wastewater Treatment Capacity Agreement

On September 16, 2014, the District and Porter MUD amended the Wastewater Treatment Capacity Agreement to provide 165 ESFCs of sanitary sewage flow from the Azalea District development within the District through Porter MUD's Forest Colony Drive lift station for treatment at the main Porter MUD wastewater treatment plant, instead of the temporary lift station. The conveyance will be limited to a maximum term of eighteen (18) months from the date on which the District first conveys the sanitary sewer flow, which occurred in November of 2015. On December 20, 2016, the term extended for an additional six months, to November of 2017. The District will pay Porter MUD a one-time base connection fee of $300 per ESFC as the Azalea District development connections become active. The District will also pay Porter MUD $57 per home per month for wastewater treatment. During the current year, the District paid Porter MUD $60,562 for connections and wastewater treatment services pursuant to the amended agreement.

Note 13 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Required Supplementary Information

Valley Ranch Municipal Utility District No. 1
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	$ 288,000	$ 401,491	$ 113,491
Sewer service	339,000	391,151	52,151
Property taxes	459,000	476,380	17,380
Penalties and interest	9,000	8,014	(986)
Tap connection and inspection	50,000	34,829	(15,171)
Miscellaneous	2,000	7,281	5,281
Investment earnings	3,500	11,412	7,912
Total Revenues	1,150,500	1,330,558	180,058
Expenditures			
Current service operations			
Purchased services	320,000	414,842	(94,842)
Professional fees	131,500	176,837	(45,337)
Contracted services	260,000	285,470	(25,470)
Repairs and maintenance	177,000	226,154	(49,154)
Utilities	16,000	19,316	(3,316)
Administrative	24,200	22,589	1,611
Lease	95,100	95,100	
Other	12,000	16,410	(4,410)
Capital outlay	40,000	79,482	(39,482)
Total Expenditures	1,075,800	1,336,200	(260,400)
Revenues Over/(Under) Expenditures	74,700	(5,642)	(80,342)
Other Financing Sources			
Internal transfers		43,532	43,532
Net Change in Fund Balance	74,700	37,890	(36,810)
Fund Balance			
Beginning of the year	1,699,978	1,699,978	
End of the year	$ 1,774,678	$ 1,737,868	$ (36,810)

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Valley Ranch Municipal Utility District No. 1
TSI-1. Services and Rates
June 30, 2017

1 Services provided by the District During the Fiscal Year

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

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

[ ] Other (Specify): _____

2 Retail Service Providers

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

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water	$ 19.25	1,000	N	$ 2.45	1,001	to	10,000
				$ 2.75	10,001	to	no limit
Wastewater:	$ 32.00	1,000	N	$ 1.60	1,001	to	no limit

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

Total charges per 10,000 gallons usage: Water $ 41.30 Wastewater $ 46.40

b Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
less than 3/4"	638	635	x 1.0	635
1"	8	8	x 2.5	20
1.5"			x 5.0	
2"	9	9	x 8.0	72
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water	658	655	[redacted]	912
Total Wastewater	644	641	x 1.0	641

See accompanying auditor's report

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

[1]Gallons purchased	78,047,798	Water Accountability Ratio (Gallons billed / Gallons pumped)
Gallons billed to customers	80,398,000	103.01%

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

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

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

Is the District located entirely within one county? Yes ☒ No ☐

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

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which the District is located _____

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

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? _____

[1] Purchased from Porter SUD

See accompanying auditors' report

Valley Ranch Municipal Utility District No. 1
TSI-2 General Fund Expenditures
For the Year Ended June 30, 2017

Purchased services	$ 414,842
Professional fees	
Legal	103,051
Audit	10,500
Engineering	63,286
	176,837
Contracted services	
Bookkeeping	14,659
Operator	41,491
Garbage collection	98,612
Tap connection and inspection	36,690
Porter MUD operations and billing	94,018
	285,470
Repairs and maintenance	226,154
Utilities	19,316
Administrative	
Directors fees	9,000
Printing and office supplies	527
Insurance	11,290
Other	1,772
	22,589
Lease	95,100
Other	16,410
Capital outlay	79,482
Total expenditures	$ 1,336,200

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	137,204 kWh	$ 14,222
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report

Valley Ranch Municipal Utility District No. 1
TSI-3. Investments
June 30, 2017

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
General				
TexPool	7914500002	Variable	N/A	$ 2,171,075
Debt Service				
TexPool	7914500003	Variable	N/A	1,440,369
Total - All Funds				$ 3,611,444

See accompanying auditors' report

Valley Ranch Municipal Utility District No. 1
TSI-4. Taxes Levied and Receivable
June 30, 2017

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 4,260	$ 8,210	$ 12,470
Adjustments	(11)	(24)	(35)
Adjusted Receivable	4,249	8,186	12,435
2016 Original Tax Levy	452,946	993,964	1,446,910
Adjustments	21,889	48,035	69,924
Adjusted Tax Levy	474,835	1,041,999	1,516,834
Total to be accounted for	479,084	1,050,185	1,529,269
Tax collections:			
Current year	472,133	1,036,068	1,508,201
Prior years	4,249	8,186	12,435
Total Collections	476,382	1,044,254	1,520,636
Taxes Receivable, End of Year	$ 2,702	$ 5,931	$ 8,633
Taxes Receivable, By Years			
2016	$ 2,702	$ 5,931	$ 8,633

	2016	2015	2014	2013
Property Valuations				
Land	$ 27,539,210	$ 23,235,880	$ 21,793,040	$ 21,426,470
Improvements	109,552,290	99,614,460	80,743,010	70,436,130
Personal Property	1,258,195	1,194,071	979,458	983,278
Exemptions	(6,451,100)	(6,110,506)	(5,901,744)	(5,801,381)
Total Property Valuations	$ 131,898,595	$ 117,933,905	$ 97,613,764	$ 87,044,497
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.36	$ 0.41	$ 0.64	$ 0.64
Debt service tax rates	0.79	0.79	0.76	0.76
Total Tax Rates per $100 Valuation	$ 1.15	$ 1.20	$ 1.40	$ 1.40
Adjusted Tax Levy	$ 1,516,834	$ 1,415,207	$ 1,366,593	$ 1,218,623
Percentage of Taxes Collected to Taxes Levied **	99.43%	100.00%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on May 13, 2006

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

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2008-by Years
June 30, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	$ 75,000	$ 1,875	$ 76,875

See accompanying auditors' report

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2009--by Years
June 30, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	$ 60,000	$ 9,990	$ 69,990
2019	60,000	6,270	66,270
2020	70,000	2,205	72,205
	$ 190,000	$ 18,465	$ 208,465

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2010--by Years
June 30, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	$ 50,000	$ 85,546	$ 135,546
2019	55,000	83,446	138,446
2020	55,000	81,246	136,246
2021	60,000	78,946	138,946
2022	60,000	76,509	136,509
2023	65,000	73,890	138,890
2024	65,000	71,128	136,128
2025	75,000	68,106	143,106
2026	80,000	64,505	144,505
2027	85,000	60,463	145,463
2028	85,000	56,298	141,298
2029	90,000	52,010	142,010
2030	95,000	47,478	142,478
2031	100,000	42,700	142,700
2032	105,000	37,625	142,625
2033	110,000	32,250	142,250
2034	115,000	26,625	141,625
2035	225,000	18,125	243,125
2036	250,000	6,250	256,250
	$ 1,825,000	$ 1,063,146	$ 2,888,146

See accompanying auditors' report

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2012-by Years
June 30, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	$ 50,000	$ 48,375	$ 98,375
2019	50,000	47,188	97,188
2020	50,000	45,937	95,937
2021	50,000	44,594	94,594
2022	50,000	43,094	93,094
2023	50,000	41,500	91,500
2024	50,000	39,812	89,812
2025	50,000	38,062	88,062
2026	50,000	36,312	86,312
2027	50,000	34,531	84,531
2028	50,000	32,719	82,719
2029	50,000	30,906	80,906
2030	50,000	29,000	79,000
2031	50,000	27,000	77,000
2032	50,000	25,000	75,000
2033	50,000	23,000	73,000
2034	50,000	21,000	71,000
2035	50,000	19,000	69,000
2036	50,000	17,000	67,000
2037	200,000	12,000	212,000
2038	200,000	4,000	204,000
	$ 1,350,000	$ 660,030	$ 2,010,030

See accompanying auditors' report

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2014-by Years
June 30, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	$ 35,000	$ 60,386	$ 95,386
2019	35,000	59,511	94,511
2020	40,000	58,574	98,574
2021	40,000	57,515	97,515
2022	45,000	56,280	101,280
2023	45,000	54,872	99,872
2024	50,000	53,241	103,241
2025	50,000	51,391	101,391
2026	55,000	49,341	104,341
2027	55,000	47,114	102,114
2028	60,000	44,726	104,726
2029	65,000	42,036	107,036
2030	65,000	39,176	104,176
2031	70,000	36,136	106,136
2032	75,000	32,801	107,801
2033	80,000	29,156	109,156
2034	85,000	25,197	110,197
2035	85,000	21,085	106,085
2036	90,000	16,819	106,819
2037	95,000	12,309	107,309
2038	100,000	7,556	107,556
2039	105,000	2,559	107,559
	$ 1,425,000	$ 857,781	$ 2,282,781

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2014A-by Years
June 30, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	$ 25,000	$ 35,310	$ 60,310
2019	25,000	34,560	59,560
2020	30,000	33,735	63,735
2021	30,000	32,835	62,835
2022	30,000	31,935	61,935
2023	30,000	31,035	61,035
2024	35,000	30,060	65,060
2025	35,000	28,993	63,993
2026	35,000	27,873	62,873
2027	40,000	26,595	66,595
2028	40,000	25,175	65,175
2029	45,000	23,623	68,623
2030	45,000	21,890	66,890
2031	45,000	20,090	65,090
2032	50,000	18,190	68,190
2033	50,000	16,190	66,190
2034	55,000	14,090	69,090
2035	55,000	11,890	66,890
2036	60,000	9,545	69,545
2037	65,000	6,951	71,951
2038	65,000	4,253	69,253
2039	70,000	1,452	71,452
	$ 960,000	$ 486,270	$ 1,446,270

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2016-by Years
June 30, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	$ 100,000	$ 55,700	$ 155,700
2019	100,000	54,650	154,650
2020	100,000	53,500	153,500
2021	100,000	52,250	152,250
2022	100,000	50,850	150,850
2023	100,000	49,275	149,275
2024	100,000	47,450	147,450
2025	100,000	45,450	145,450
2026	100,000	43,450	143,450
2027	100,000	41,388	141,388
2028	100,000	39,263	139,263
2029	100,000	37,075	137,075
2030	100,000	34,825	134,825
2031	100,000	32,513	132,513
2032	100,000	30,138	130,138
2033	100,000	27,450	127,450
2034	100,000	24,450	124,450
2035	100,000	21,450	121,450
2036	100,000	18,450	118,450
2037	185,000	14,175	199,175
2038	190,000	8,550	198,550
2039	190,000	2,850	192,850
	$ 2,465,000	$ 785,150	$ 3,250,150

See accompanying auditors' report

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2016A Refunding-by Years
June 30, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	$ 50,000	$ 130,100	$ 180,100
2019	120,000	128,400	248,400
2020	120,000	126,000	246,000
2021	195,000	122,850	317,850
2022	195,000	118,950	313,950
2023	200,000	114,000	314,000
2024	210,000	107,850	317,850
2025	210,000	101,550	311,550
2026	210,000	94,200	304,200
2027	215,000	85,700	300,700
2028	230,000	76,800	306,800
2029	235,000	67,500	302,500
2030	240,000	58,000	298,000
2031	245,000	48,300	293,300
2032	245,000	38,500	283,500
2033	260,000	28,400	288,400
2034	265,000	17,900	282,900
2035	160,000	9,400	169,400
2036	155,000	3,100	158,100
	$ 3,760,000	$ 1,477,500	$ 5,237,500

See accompanying auditors' report

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2017-by Years
June 30, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	$ -	$ 115,458	$ 115,458
2019	80,000	136,550	216,550
2020	85,000	132,425	217,425
2021	85,000	128,175	213,175
2022	90,000	123,800	213,800
2023	95,000	119,175	214,175
2024	95,000	114,425	209,425
2025	100,000	109,550	209,550
2026	105,000	105,475	210,475
2027	110,000	102,250	212,250
2028	115,000	98,875	213,875
2029	120,000	95,350	215,350
2030	125,000	91,613	216,613
2031	125,000	87,722	212,722
2032	130,000	83,656	213,656
2033	140,000	79,181	219,181
2034	145,000	74,372	219,372
2035	150,000	69,300	219,300
2036	155,000	63,963	218,963
2037	250,000	56,875	306,875
2038	250,000	48,125	298,125
2039	250,000	39,375	289,375
2040	250,000	30,625	280,625
2041	250,000	21,875	271,875
2042	250,000	13,125	263,125
2043	250,000	4,375	254,375
	$ 3,800,000	$ 2,145,690	$ 5,945,690

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
June 30, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	$ 445,000	$ 542,740	$ 987,740
2019	525,000	550,575	1,075,575
2020	550,000	533,622	1,083,622
2021	560,000	517,165	1,077,165
2022	570,000	501,418	1,071,418
2023	585,000	483,747	1,068,747
2024	605,000	463,966	1,068,966
2025	620,000	443,102	1,063,102
2026	635,000	421,156	1,056,156
2027	655,000	398,041	1,053,041
2028	680,000	373,856	1,053,856
2029	705,000	348,500	1,053,500
2030	720,000	321,982	1,041,982
2031	735,000	294,460	1,029,460
2032	755,000	265,910	1,020,910
2033	790,000	235,627	1,025,627
2034	815,000	203,634	1,018,634
2035	825,000	170,250	995,250
2036	860,000	135,127	995,127
2037	795,000	102,310	897,310
2038	805,000	72,484	877,484
2039	615,000	46,236	661,236
2040	250,000	30,625	280,625
2041	250,000	21,875	271,875
2042	250,000	13,125	263,125
2043	250,000	4,375	254,375
	$ 15,850,000	$ 7,495,907	$ 23,345,907

See accompanying auditors' report

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Valley Ranch Municipal Utility District No. 1
TSI-6. Change in Long-Term Bonded Debt
June 30, 2017

	Bond Issue				
	Series 2008	Series 2009	Series 2010	Series 2012	Series 2014
Interest rate	4.8% - 5.0%	6.2% - 6.3%	4.0% - 5.0%	2.0% - 4.0%	2.5% - 4.875%
Dates interest payable	9/1, 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/09 - 9/1/17	9/1/10 - 9/1/19	9/1/12 - 9/1/35	9/1/14 - 9/1/37	9/1/15 - 9/1/38
Beginning bonds outstanding	$ 2,240,000	$ 1,830,000	$ 1,870,000	$ 1,400,000	$ 1,460,000
Bonds issued					
Bonds refunded	(2,090,000)	(1,580,000)			
Bonds retired	(75,000)	(60,000)	(45,000)	(50,000)	(35,000)
Ending bonds outstanding	$ 75,000	$ 190,000	$ 1,825,000	$ 1,350,000	$ 1,425,000
Interest paid during fiscal year	$ 60,555	$ 69,240	$ 87,446	$ 49,438	$ 61,261

Paying agent's name and city	
Series 2008, 2009, 2010, and 2012	Wells Fargo Bank, N.A., Texas
Series 2014, 2014A, 2016, 2016A, and 2017	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond Authority	Water, Sewer and Drainage Bonds	Park Bonds	Refunding Bonds
Amount Authorized by Voters	$ 121,100,000	$ 14,000,000	$ 121,100,000
Amount Issued	(17,055,000)		(90,000)
Remaining To Be Issued	$ 104,045,000	$ 14,000,000	$ 121,010,000

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

Debt Service Fund cash and investments balances as of June 30, 2017	$ 1,493,548
Average annual debt service payment (principal and interest) for remaining term of all debt	$ 897,919

See accompanying auditors' report

Bond Issue				
Series 2014A	Series 2016	Series 2016A Refunding	Series 2017	Totals
3.0% - 4.15%	1.0% - 3.0%	2.0% - 4.0%	3.0% - 5.0%	
9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	
9/1/15 - 9/1/38	9/1/17 - 9/1/38	9/1/17 - 9/1/35	9/1/18 - 9/1/42	
$ 985,000	$ -	$ -	$ -	$ 9,785,000
	2,465,000	3,760,000	3,800,000	10,025,000
				(3,670,000)
(25,000)				(290,000)
$ 960,000	$ 2,465,000	$ 3,760,000	$ 3,800,000	$ 15,850,000
$ 36,060	$ 32,783	$ 54,417	$ -	$ 451,200

Valley Ranch Municipal Utility District No. 1
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Water service	$ 401,491	$ 307,280	$ 322,242	$ 267,240	$ 313,845
Sewer service	391,151	348,629	352,246	271,605	303,976
Property taxes	476,380	487,418	618,620	556,822	496,142
Penalties and interest	8,014	8,840	11,666	12,441	11,617
Tap connection and inspection	34,829	96,271	66,870	110,400	66,450
Porter MUD billings					10,050
Miscellaneous	7,281	2,261	1,235	285	922
Investment earnings	11,412	4,394	696	416	983
Total Revenues	1,330,558	1,255,093	1,373,575	1,219,209	1,203,985
Expenditures					
Current service operations					
Purchased services	414,842	439,161	303,979	264,385	181,674
Professional fees	176,837	186,577	203,938	141,087	176,170
Contracted services	285,470	260,140	265,006	233,930	195,415
Repairs and maintenance	226,154	163,541	100,637	124,986	84,879
Utilities	19,316	16,412	13,994	21,528	8,630
Administrative	22,589	18,512	16,536	15,712	16,185
Lease	95,100	95,100	103,590	128,330	137,460
Other	16,410	25,287	12,372	8,689	6,215
Capital outlay	79,482	21,000	31,500	81,250	292,177
Debt issuance costs					
Total Expenditures	1,336,200	1,225,730	1,051,552	1,019,897	1,098,805
Revenues Over/(Under) Expenditures	$ (5,642)	$ 29,363	$ 322,023	$ 199,312	$ 105,180

* Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2017	2016	2015	2014	2013
30%	24%	23%	22%	26%
29%	28%	26%	22%	25%
35%	39%	45%	46%	41%
1%	1%	1%	1%	1%
3%	8%	5%	9%	6%
				1%
1%				
1%				
100%	100%	100%	100%	100%
31%	35%	22%	22%	15%
13%	15%	15%	12%	15%
21%	21%	19%	19%	16%
17%	13%	7%	10%	7%
1%	1%	1%	2%	1%
2%	1%	1%	1%	1%
7%	8%	8%	11%	11%
1%	2%	1%	1%	1%
6%	2%	2%	7%	24%
99%	98%	76%	85%	91%
0 01	2%	24%	15%	9%

Valley Ranch Municipal Utility District No. 1
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	$ 1,044,252	$ 933,156	$ 734,611	$ 661,226	$ 585,976
Penalties and interest	8,683	2,958	5,040	2,040	4,127
Accrued interest on bonds sold	20,042		1,549	4,857	3,607
Miscellaneous	34	319	36	654	1,614
Investment earnings	6,110	6,998	401	336	777
Total Revenues	1,079,121	943,431	741,637	669,113	596,101
Expenditures					
Tax collection services	29,518	26,612	23,591	20,982	19,464
Debt service					
Principal	290,000	270,000	210,000	150,000	140,000
Interest and fees	454,500	498,331	471,198	406,309	387,455
Debt issuance costs	168,200				
Total Expenditures	942,218	794,943	704,789	577,291	546,919
Revenues Over Expenditures	$ 136,903	$ 148,488	$ 36,848	$ 91,822	$ 49,182
Total Active Retail Water Connections	655	571	543	499	435
Total Active Retail Wastewater Connections	641	560	533	489	426

' Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2017	2016	2015	2014	2013
96%	99%	99%	99%	98%
1%	*	1%	*	1%
2%		*	1%	1%
*	*	*	*	*
1%	1%	*	*	*
100%	100%	100%	100%	100%
3%	3%	3%	3%	3%
27%	29%	28%	22%	23%
42%	53%	64%	61%	65%
16%				
88%	85%	95%	86%	91%
12%	15%	5%	14%	9%

Valley Ranch Municipal Utility District No. 1
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended June 30, 2017

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number:	(713) 860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 22, 2016
Limit on Fees of Office that a Director may receive during a fiscal year (Set by Board Resolution -- TWC Section 49.0600)	$ 7,200

Names.	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
Board Members:				
Chris Baughman	5/16 - 5/20	$ 1,200	$ -	President
Kyle Hoegemeyer	5/14 - 5/18	1,500		Vice President
Neal J Brussell	5/14 - 5/18	1,200		Secretary
Corey Mills	2/16 - 5/18	2,550	1,836	Assistant Secretary
David Knighten Sr	5/16 - 5/20	2,550	1,808	Assistant Vice President
Consultants.		Amounts Paid		
Allen Boone Humphries Robinson LLP	2006			Attorney
General legal		$ 136,141		
Bond counsel		184,245		
Severn Trent Services, Inc	2006	241,541		Operator
District Data Services, Inc	2006	19,659		Bookkeeper
Utility Tax Service, LLC	2006	15,390		Tax Collector
Montgomery Central Appraisal District	Legislation	13,119		Property Valuation
Purdue, Brandon, Fielder, Collins & Mott, LLP	2006	2,344		Delinquent Tax Attorney
Dannenbaum Engineering Corp	2006	186,369		Engineer
McGrath & Co., PLLC	Annual	24,550		Auditor
FirstSouthwest, a Division of Hilltop Securities	2006	136,726		Financial Advisor

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

See accompanying auditors' report

McGrath & Co., PLLC
Certified Public Accountants
P.O. Box 270148
Houston, Texas 77277

Mark W. McGrath CPA
mark@mcgrath-co.com

Colette M. Garcia CPA
colette@mcgrath-co.com

October 25, 2017

Board of Directors
Valley Ranch Municipal Utility District No. 1
Montgomery County, Texas

In planning and performing our audit of the financial statements of governmental activities and each major fund of Valley Ranch Municipal Utility District No. 1 (the "District"), as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal controls exists when the design or operation of a control does not allow management, in the normal course of performing their assigned functions, to prevent, detect or correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

The District's management consists of an elected Board of Directors (the "Directors"). Day-to-day operations are performed by private companies ("Consultants") under contract with the District. The Directors of the District supervise the performance of the Consultants; however, although the Consultants can be part of the District's system of internal control, the Consultants are not members of management. Ultimately, the Directors of the District are responsible for the design and implementation of the system of internal control.

Material Weaknesses

We observed the following matters that we consider to be material weaknesses:

- As is common within the system of internal control of most small organizations, the accounting function of the District does not prepare the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. This could result in the District's financial statements and related note

disclosures not fully or accurately presenting the District's financial position and changes in financial position during the fiscal year in conformity with accounting principles generally accepted in the United States of America.

- During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements on both the fund basis and the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments could result in misstatements in the District's financial statements.

- The District's Management relies on the District's auditor to prepare the capital asset schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements This reliance on the auditor to perform this function could result in the understatement or overstatement of capital assets and due to developer on the District's *Statement of Net Position* or an error in the amount reported as depreciation/amortization expense in the *Statement of Activities*

Management's Response

The District's financial statements have been prepared in a manner that is consistent with prior years. The Board engages a bonded bookkeeper who possesses industry knowledge and expertise, including a concentration in special districts accounting. The Board also engages a financial advisor and tax assessor/collector who possess industry knowledge and expertise, as well as legal and professional engineering services. The Board has consulted with its independent auditor concerning this "management letter" and the auditor does not recommend any change in the Board's bookkeeping or audit procedures at this time. To the best of its knowledge, the Board conducts the District's business affairs in the same manner as other similarly situated special districts, and, based on the recommendations of its auditor, does not believe that the addition of an employee to oversee the monthly and annual financial reporting process or to prepare financial statements or that undertaking an additional annual audit is necessary or cost effective.

Conclusion

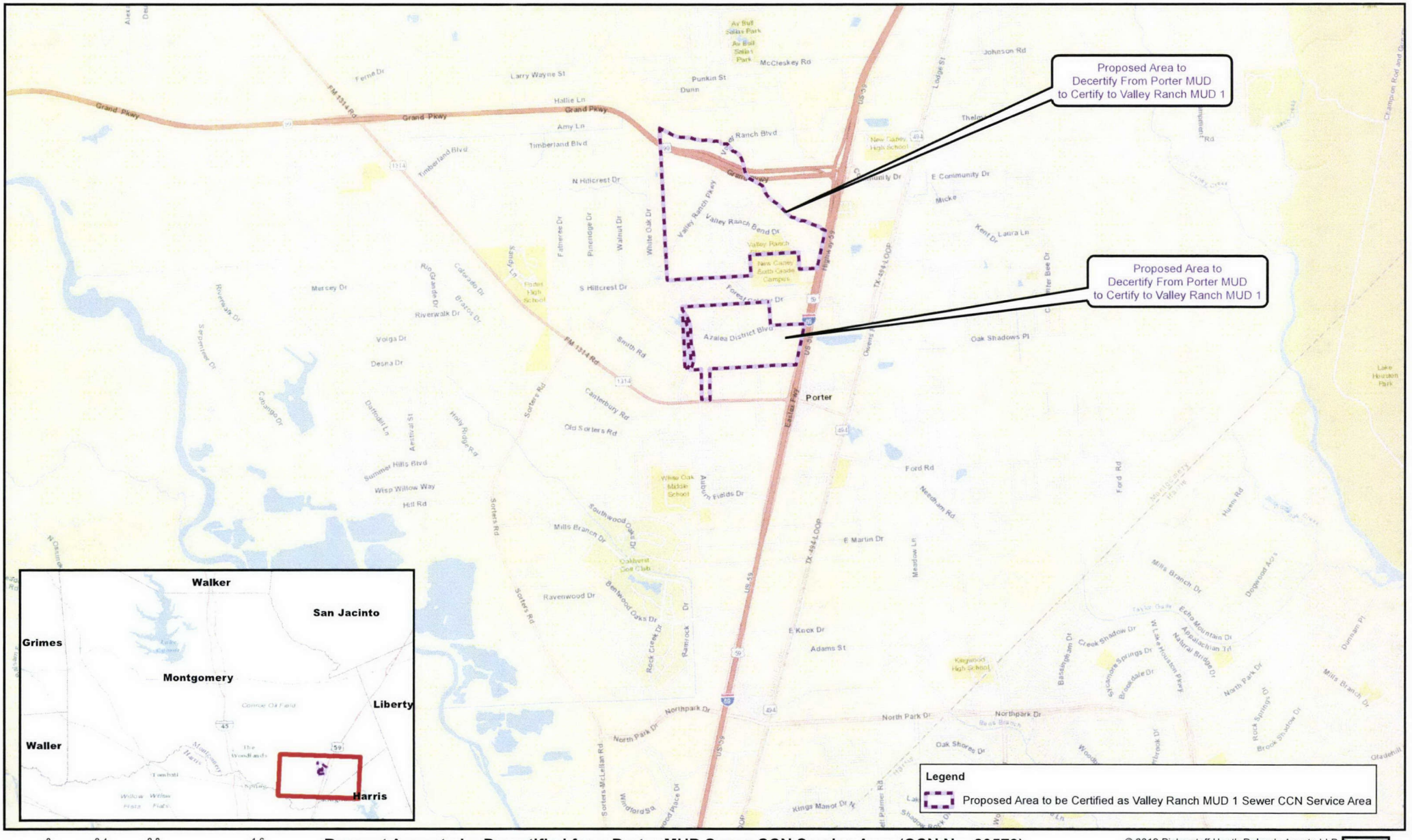
Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

McGrath & Co., PLLC-CPAs
Houston, Texas

ATTACHMENT NO. 7
MAPS AND DIGITAL DATA



Created: 2/6/2019
Background Image: ESRI Open Street Map

Request Areas to be Decertified from Porter MUD Sewer CCN Service Area (CCN No. 20573) and Certified to Valley Ranch MUD 1 Sewer CCN Service Area
GENERAL LOCATION MAP

Data Source: Valley Ranch MUD and Porter MUD boundaries obtained from Montgomery County CAD. Porter MUD Sewer CCN No. 20573 obtained from PUC Utilities - Water Mapping.

Created: 2/6/2019
Background Image: ESRI Open Street Map

Request Areas to be Decertified from Porter MUD Sewer CCN Service Area (CCN No. 20573) and Certified to Valley Ranch MUD 1 Sewer CCN Service Area
DETAIL MAP

Data Source: Valley Ranch MUD and Porter MUD boundaries obtained from Montgomery County CAD. Porter MUD Sewer CCN No. 20573 obtained from PUC Utlities - Water Mapping.

CD('S)ATTACHED

TO VIEW PLEASE CONTACT CENTRAL RECORDS 512-936-7180

ATTACHMENT NO. 8

TPDES PERMIT NO. WQ0014597001

TPDES PERMIT NO.
WQ0014597001
[For TCEQ office use only - EPA I.D. No. TX0127710]

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
P.O. Box 13087
Austin, Texas 78711-3087

This is a renewal that replaces TPDES Permit No. WQ0014597001 issued on June 4, 2013.

PERMIT TO DISCHARGE WASTES
under provisions of
Section 402 of the Clean Water Act
and Chapter 26 of the Texas Water Code

Valley Ranch Municipal Utility District No. 1

whose mailing address is

3200 Southwest Freeway, Suite 2600
Houston, Texas 77027

is authorized to treat and discharge wastes from the Valley Ranch Wastewater Treatment Facility, SIC Code 4952

located approximately 4,400 feet west of the crossing of U.S. Highway 59 over White Oak Creek, in Montgomery County, Texas 77365

to an unnamed tributary of White Oak Creek; thence to White Oak Creek; thence to Caney Creek in Segment No. 1010 of the San Jacinto River Basin

only according to effluent limitations, monitoring requirements, and other conditions set forth in this permit, as well as the rules of the Texas Commission on Environmental Quality (TCEQ), the laws of the State of Texas, and other orders of the TCEQ. The issuance of this permit does not grant to the permittee the right to use private or public property for conveyance of wastewater along the discharge route described in this permit. This includes, but is not limited to, property belonging to any individual, partnership, corporation or other entity. Neither does this permit authorize any invasion of personal rights nor any violation of federal, state, or local laws or regulations. It is the responsibility of the permittee to acquire property rights as may be necessary to use the discharge route.

This permit shall expire at midnight, **June 1, 2022**.

ISSUED DATE: October 17, 2017

For the Commission

INTERIM I EFFLUENT LIMITATIONS AND MONITORING REQUIREMENTS Outfall Number 001

1. During the period beginning upon the date of issuance and lasting through the completion of expansion to the 0.4 million gallons per day (MGD) facility, the permittee is authorized to discharge subject to the following effluent limitations:

   The daily average flow of effluent shall not exceed 0.2 MGD, nor shall the average discharge during any two-hour period (2-hour peak) exceed 556 gallons per minute (gpm).

Effluent Characteristic	Discharge Limitations				Min. Self-Monitoring Requirements	
	Daily Avg mg/l (lbs/day)	7-day Avg mg/l	Daily Max mg/l	Single Grab mg/l	Report Daily Avg. & Max. Single Grab Measurement Frequency	Sample Type
Flow, MGD	Report	N/A	Report	N/A	Five/week	Instantaneous
Carbonaceous Biochemical Oxygen Demand (5-day)	10 (17)	15	25	35	One/week	Grab
Total Suspended Solids	15 (25)	25	40	60	One/week	Grab
Ammonia Nitrogen	3 (5.0)	6	10	15	One/week	Grab
E. coli, colony-forming units or most probable number per 100 ml	63	N/A	N/A	200	One/month	Grab

2. The effluent shall contain a chlorine residual of at least 1.0 mg/l and shall not exceed a chlorine residual of 4.0 mg/l after a detention time of at least 20 minutes (based on peak flow), and shall be monitored five times per week by grab sample. An equivalent method of disinfection may be substituted only with prior approval of the Executive Director.

3. The pH shall not be less than 6.0 standard units nor greater than 9.0 standard units and shall be monitored once per month by grab sample.

4. There shall be no discharge of floating solids or visible foam in other than trace amounts and no discharge of visible oil.

5. Effluent monitoring samples shall be taken at the following location(s): Following the final treatment unit.

6. The effluent shall contain a minimum dissolved oxygen of 4.0 mg/l and shall be monitored once per week by grab sample.

INTERIM II EFFLUENT LIMITATIONS AND MONITORING REQUIREMENTS Outfall Number 001

1. During the period beginning upon completion of expansion to the 0.4 million gallons per day (MGD) facility and lasting through the completion of expansion to the 0.6 MGD facility, the permittee is authorized to discharge subject to the following effluent limitations:

   The daily average flow of effluent shall not exceed 0.4 MGD, nor shall the average discharge during any two-hour period (2-hour peak) exceed 1,111 gallons per minute (gpm).

Effluent Characteristic	Discharge Limitations				Min. Self-Monitoring Requirements	
	Daily Avg mg/l (lbs/day)	7-day Avg mg/l	Daily Max mg/l	Single Grab mg/l	Report Daily Avg. & Max. Single Grab Measurement Frequency	Sample Type
Flow, MGD	Report	N/A	Report	N/A	Five/week	Instantaneous
Carbonaceous Biochemical Oxygen Demand (5-day)	10 (34)	15	25	35	One/week	Grab
Total Suspended Solids	15 (50)	25	40	60	One/week	Grab
Ammonia Nitrogen	3 (10)	6	10	15	One/week	Grab
E. coli, colony-forming units or most probable number per 100 ml	63	N/A	N/A	200	One/month	Grab

2. The effluent shall contain a chlorine residual of at least 1.0 mg/l and shall not exceed a chlorine residual of 4.0 mg/l after a detention time of at least 20 minutes (based on peak flow), and shall be monitored five times per week by grab sample at each chlorine contact chamber. An equivalent method of disinfection may be substituted only with prior approval of the Executive Director.

3. The pH shall not be less than 6.0 standard units nor greater than 9.0 standard units and shall be monitored once per month by grab sample.

4. There shall be no discharge of floating solids or visible foam in other than trace amounts and no discharge of visible oil.

5. Effluent monitoring samples shall be taken at the following location(s): Following the final treatment unit.

6. The effluent shall contain a minimum dissolved oxygen of 5.0 mg/l and shall be monitored once per week by grab sample.

FINAL EFFLUENT LIMITATIONS AND MONITORING REQUIREMENTS Outfall Number 001

1. During the period beginning upon the completion of expansion to the 0.6 million gallons per day (MGD) facility and lasting through the date of expiration, the permittee is authorized to discharge subject to the following effluent limitations:

   The daily average flow of effluent shall not exceed 0.6 million gallons per day (MGD), nor shall the average discharge during any two-hour period (2-hour peak) exceed 1,250 gallons per minute (gpm).

Effluent Characteristic	Discharge Limitations				Min. Self-Monitoring Requirements	
	Daily Avg mg/l (lbs/day)	7-day Avg mg/l	Daily Max mg/l	Single Grab mg/l	Report Daily Avg. & Daily Max. Measurement Frequency	Sample Type
Flow, MGD	Report	N/A	Report	N/A	Continuous	Totalizing Meter
Carbonaceous Biochemical Oxygen Demand (5-day)	10 (50)	15	25	35	One/week	Composite
Total Suspended Solids	15 (75)	25	40	60	One/week	Composite
Ammonia Nitrogen	3 (15)	6	10	15	One/week	Composite
E. coli, colony-forming units or most probable number per 100 ml	63	N/A	200	N/A	Two/month	Grab

2. The effluent shall contain a chlorine residual of at least 1.0 mg/l and shall not exceed a chlorine residual of 4.0 mg/l after a detention time of at least 20 minutes (based on peak flow), and shall be monitored daily by grab sample at each chlorine contact chamber. An equivalent method of disinfection may be substituted only with prior approval of the Executive Director.

3. The pH shall not be less than 6.0 standard units nor greater than 9.0 standard units and shall be monitored twice per month by grab sample.

4. There shall be no discharge of floating solids or visible foam in other than trace amounts and no discharge of visible oil.

5. Effluent monitoring samples shall be taken at the following location(s): Following the final treatment unit.

6. The effluent shall contain minimum dissolved oxygen of 5.0 mg/l and shall be monitored once per week by grab sample.

DEFINITIONS AND STANDARD PERMIT CONDITIONS

As required by Title 30 Texas Administrative Code (TAC) Chapter 305, certain regulations appear as standard conditions in waste discharge permits. 30 TAC § 305.121 - 305.129 (relating to Permit Characteristics and Conditions) as promulgated under the Texas Water Code (TWC) §§ 5.103 and 5.105, and the Texas Health and Safety Code (THSC) §§ 361.017 and 361.024(a), establish the characteristics and standards for waste discharge permits, including sewage sludge, and those sections of 40 Code of Federal Regulations (CFR) Part 122 adopted by reference by the Commission. The following text includes these conditions and incorporates them into this permit. All definitions in TWC § 26.001 and 30 TAC Chapter 305 shall apply to this permit and are incorporated by reference. Some specific definitions of words or phrases used in this permit are as follows:

1. Flow Measurements

   a. Annual average flow - the arithmetic average of all daily flow determinations taken within the preceding 12 consecutive calendar months. The annual average flow determination shall consist of daily flow volume determinations made by a totalizing meter, charted on a chart recorder and limited to major domestic wastewater discharge facilities with one million gallons per day or greater permitted flow.

   b. Daily average flow - the arithmetic average of all determinations of the daily flow within a period of one calendar month. The daily average flow determination shall consist of determinations made on at least four separate days. If instantaneous measurements are used to determine the daily flow, the determination shall be the arithmetic average of all instantaneous measurements taken during that month. Daily average flow determination for intermittent discharges shall consist of a minimum of three flow determinations on days of discharge.

   c. Daily maximum flow - the highest total flow for any 24-hour period in a calendar month.

   d. Instantaneous flow - the measured flow during the minimum time required to interpret the flow measuring device.

   e. 2-hour peak flow (domestic wastewater treatment plants) - the maximum flow sustained for a two-hour period during the period of daily discharge. The average of multiple measurements of instantaneous maximum flow within a two-hour period may be used to calculate the 2-hour peak flow.

   f. Maximum 2-hour peak flow (domestic wastewater treatment plants) - the highest 2-hour peak flow for any 24-hour period in a calendar month.

2. Concentration Measurements

   a. Daily average concentration - the arithmetic average of all effluent samples, composite or grab as required by this permit, within a period of one calendar month, consisting of at least four separate representative measurements.

      i. For domestic wastewater treatment plants - When four samples are not available in a calendar month, the arithmetic average (weighted by flow) of all values in the previous four consecutive month period consisting of at least four measurements shall be utilized as the daily average concentration.

ii. For all other wastewater treatment plants - When four samples are not available in a calendar month, the arithmetic average (weighted by flow) of all values taken during the month shall be utilized as the daily average concentration.

b. 7-day average concentration - the arithmetic average of all effluent samples, composite or grab as required by this permit, within a period of one calendar week, Sunday through Saturday.

c. Daily maximum concentration - the maximum concentration measured on a single day, by the sample type specified in the permit, within a period of one calendar month.

d. Daily discharge - the discharge of a pollutant measured during a calendar day or any 24-hour period that reasonably represents the calendar day for purposes of sampling. For pollutants with limitations expressed in terms of mass, the daily discharge is calculated as the total mass of the pollutant discharged over the sampling day. For pollutants with limitations expressed in other units of measurement, the daily discharge is calculated as the average measurement of the pollutant over the sampling day.

The daily discharge determination of concentration made using a composite sample shall be the concentration of the composite sample. When grab samples are used, the daily discharge determination of concentration shall be the arithmetic average (weighted by flow value) of all samples collected during that day.

e. Bacteria concentration (*E. coli* or Enterococci) - Colony Forming Units (CFU) or Most Probable Number (MPN) of bacteria per 100 milliliters effluent. The daily average bacteria concentration is a geometric mean of the values for the effluent samples collected in a calendar month. The geometric mean shall be determined by calculating the nth root of the product of all measurements made in a calendar month, where n equals the number of measurements made; or, computed as the antilogarithm of the arithmetic mean of the logarithms of all measurements made in a calendar month. For any measurement of bacteria equaling zero, a substituted value of one shall be made for input into either computation method. If specified, the 7-day average for bacteria is the geometric mean of the values for all effluent samples collected during a calendar week.

f. Daily average loading (lbs/day) - the arithmetic average of all daily discharge loading calculations during a period of one calendar month. These calculations must be made for each day of the month that a parameter is analyzed. The daily discharge, in terms of mass (lbs/day), is calculated as (Flow, MGD x Concentration, mg/l x 8.34).

g. Daily maximum loading (lbs/day) - the highest daily discharge, in terms of mass (lbs/day), within a period of one calendar month.

3. Sample Type

a. Composite sample - For domestic wastewater, a composite sample is a sample made up of a minimum of three effluent portions collected in a continuous 24-hour period or during the period of daily discharge if less than 24 hours, and combined in volumes proportional to flow, and collected at the intervals required by 30 TAC § 319.9 (a). For industrial wastewater, a composite sample is a sample made up of a minimum of three effluent portions collected in a continuous 24-hour period or during the period of daily discharge if less than 24 hours, and combined in volumes proportional to flow, and collected at the intervals required by 30 TAC § 319.9 (b).

b. Grab sample - an individual sample collected in less than 15 minutes.

4. Treatment Facility (facility) - wastewater facilities used in the conveyance, storage, treatment, recycling, reclamation and/or disposal of domestic sewage, industrial wastes, agricultural wastes, recreational wastes, or other wastes including sludge handling or disposal facilities under the jurisdiction of the Commission.

5. The term "sewage sludge" is defined as solid, semi-solid, or liquid residue generated during the treatment of domestic sewage in 30 TAC Chapter 312. This includes the solids that have not been classified as hazardous waste separated from wastewater by unit processes.

6. Bypass - the intentional diversion of a waste stream from any portion of a treatment facility.

MONITORING AND REPORTING REQUIREMENTS

1. Self-Reporting

Monitoring results shall be provided at the intervals specified in the permit. Unless otherwise specified in this permit or otherwise ordered by the Commission, the permittee shall conduct effluent sampling and reporting in accordance with 30 TAC §§ 319.4 - 319.12. Unless otherwise specified, effluent monitoring data shall be submitted each month, to the Enforcement Division (MC 224), by the 20th day of the following month for each discharge which is described by this permit whether or not a discharge is made for that month. Monitoring results must be submitted online using the NetDMR reporting system available through the TCEQ website unless the permittee requests and obtains an electronic reporting waiver. Monitoring results must be signed and certified as required by Monitoring and Reporting Requirements No. 10.

As provided by state law, the permittee is subject to administrative, civil and criminal penalties, as applicable, for negligently or knowingly violating the Clean Water Act (CWA); TWC §§ 26, 27, and 28; and THSC § 361, including but not limited to knowingly making any false statement, representation, or certification on any report, record, or other document submitted or required to be maintained under this permit, including monitoring reports or reports of compliance or noncompliance, or falsifying, tampering with or knowingly rendering inaccurate any monitoring device or method required by this permit or violating any other requirement imposed by state or federal regulations.

2. Test Procedures

a. Unless otherwise specified in this permit, test procedures for the analysis of pollutants shall comply with procedures specified in 30 TAC §§ 319.11 - 319.12. Measurements, tests, and calculations shall be accurately accomplished in a representative manner.

b. All laboratory tests submitted to demonstrate compliance with this permit must meet the requirements of 30 TAC § 25, Environmental Testing Laboratory Accreditation and Certification.

3. Records of Results

a. Monitoring samples and measurements shall be taken at times and in a manner so as to be representative of the monitored activity.

b. Except for records of monitoring information required by this permit related to the permittee's sewage sludge use and disposal activities, which shall be retained for a period of at least five years (or longer as required by 40 CFR Part 503), monitoring and reporting records, including strip charts and records of calibration and maintenance, copies of all records required by this permit, records of all data used to complete the application for this permit, and the certification required by 40 CFR § 264.73(b)(9) shall be retained at the facility site, or shall be readily available for review by a TCEQ representative for a period of three years from the date of the record or sample, measurement, report, application or certification. This period shall be extended at the request of the Executive Director.

c. Records of monitoring activities shall include the following:

i. date, time and place of sample or measurement;

ii. identity of individual who collected the sample or made the measurement.

iii. date and time of analysis;

iv. identity of the individual and laboratory who performed the analysis;

v. the technique or method of analysis; and

vi. the results of the analysis or measurement and quality assurance/quality control records.

The period during which records are required to be kept shall be automatically extended to the date of the final disposition of any administrative or judicial enforcement action that may be instituted against the permittee.

4. Additional Monitoring by Permittee

If the permittee monitors any pollutant at the location(s) designated herein more frequently than required by this permit using approved analytical methods as specified above, all results of such monitoring shall be included in the calculation and reporting of the values submitted on the approved self-report form. Increased frequency of sampling shall be indicated on the self-report form.

5. Calibration of Instruments

All automatic flow measuring or recording devices and all totalizing meters for measuring flows shall be accurately calibrated by a trained person at plant start-up and as often thereafter as necessary to ensure accuracy, but not less often than annually unless authorized by the Executive Director for a longer period. Such person shall verify in writing that the device is operating properly and giving accurate results. Copies of the verification shall be retained at the facility site and/or shall be readily available for review by a TCEQ representative for a period of three years.

6. Compliance Schedule Reports

Reports of compliance or noncompliance with, or any progress reports on, interim and final requirements contained in any compliance schedule of the permit shall be submitted no later

than 14 days following each schedule date to the Regional Office and the Enforcement Division (MC 224).

7. Noncompliance Notification

   a. In accordance with 30 TAC § 305.125(9) any noncompliance which may endanger human health or safety, or the environment shall be reported by the permittee to the TCEQ. Except as allowed by 30 TAC § 305.132, report of such information shall be provided orally or by facsimile transmission (FAX) to the Regional Office within 24 hours of becoming aware of the noncompliance. A written submission of such information shall also be provided by the permittee to the Regional Office and the Enforcement Division (MC 224) within five working days of becoming aware of the noncompliance. For Publicly Owned Treatment Works (POTWs), effective September 1, 2020, the permittee must submit the written report for unauthorized discharges and unanticipated bypasses that exceed any effluent limit in the permit using the online electronic reporting system available through the TCEQ website unless the permittee requests and obtains an electronic reporting waiver. The written submission shall contain a description of the noncompliance and its cause; the potential danger to human health or safety, or the environment; the period of noncompliance, including exact dates and times; if the noncompliance has not been corrected, the time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent recurrence of the noncompliance, and to mitigate its adverse effects.

   b. The following violations shall be reported under Monitoring and Reporting Requirement 7.a.:

      i. Unauthorized discharges as defined in Permit Condition 2(g).

      ii. Any unanticipated bypass that exceeds any effluent limitation in the permit.

      iii. Violation of a permitted maximum daily discharge limitation for pollutants listed specifically in the Other Requirements section of an Industrial TPDES permit.

   c. In addition to the above, any effluent violation which deviates from the permitted effluent limitation by more than 40% shall be reported by the permittee in writing to the Regional Office and the Enforcement Division (MC 224) within 5 working days of becoming aware of the noncompliance.

   d. Any noncompliance other than that specified in this section, or any required information not submitted or submitted incorrectly, shall be reported to the Enforcement Division (MC 224) as promptly as possible. For effluent limitation violations, noncompliances shall be reported on the approved self-report form.

8. In accordance with the procedures described in 30 TAC §§ 35.301 - 35.303 (relating to Water Quality Emergency and Temporary Orders) if the permittee knows in advance of the need for a bypass, it shall submit prior notice by applying for such authorization.

9. Changes in Discharges of Toxic Substances

   All existing manufacturing, commercial, mining, and silvicultural permittees shall notify the Regional Office, orally or by facsimile transmission within 24 hours, and both the Regional Office and the Enforcement Division (MC 224) in writing within five (5) working days, after becoming aware of or having reason to believe:

a. That any activity has occurred or will occur which would result in the discharge, on a routine or frequent basis, of any toxic pollutant listed at 40 CFR Part 122, Appendix D, Tables II and III (excluding Total Phenols) which is not limited in the permit, if that discharge will exceed the highest of the following "notification levels":

   i. One hundred micrograms per liter (100 µg/L);

   ii. Two hundred micrograms per liter (200 µg/L) for acrolein and acrylonitrile; five hundred micrograms per liter (500 µg/L) for 2,4-dinitrophenol and for 2-methyl-4,6-dinitrophenol; and one milligram per liter (1 mg/L) for antimony;

   iii. Five (5) times the maximum concentration value reported for that pollutant in the permit application; or

   iv. The level established by the TCEQ.

b. That any activity has occurred or will occur which would result in any discharge, on a nonroutine or infrequent basis, of a toxic pollutant which is not limited in the permit, if that discharge will exceed the highest of the following "notification levels":

   i. Five hundred micrograms per liter (500 µg/L);

   ii. One milligram per liter (1 mg/L) for antimony;

   iii. Ten (10) times the maximum concentration value reported for that pollutant in the permit application; or

   iv. The level established by the TCEQ.

10. Signatories to Reports

    All reports and other information requested by the Executive Director shall be signed by the person and in the manner required by 30 TAC § 305.128 (relating to Signatories to Reports).

11. All POTWs must provide adequate notice to the Executive Director of the following:

    a. Any new introduction of pollutants into the POTW from an indirect discharger which would be subject to CWA § 301 or § 306 if it were directly discharging those pollutants;

    b. Any substantial change in the volume or character of pollutants being introduced into that POTW by a source introducing pollutants into the POTW at the time of issuance of the permit; and

    c. For the purpose of this paragraph, adequate notice shall include information on:

       i. The quality and quantity of effluent introduced into the POTW; and

       ii. Any anticipated impact of the change on the quantity or quality of effluent to be discharged from the POTW.

PERMIT CONDITIONS

1. General

   a. When the permittee becomes aware that it failed to submit any relevant facts in a permit application, or submitted incorrect information in an application or in any report to the Executive Director, it shall promptly submit such facts or information.

   b. This permit is granted on the basis of the information supplied and representations made by the permittee during action on an application, and relying upon the accuracy and completeness of that information and those representations. After notice and opportunity for a hearing, this permit may be modified, suspended, or revoked, in whole or in part, in accordance with 30 TAC Chapter 305, Subchapter D, during its term for good cause including, but not limited to, the following:

      i. Violation of any terms or conditions of this permit;

      ii. Obtaining this permit by misrepresentation or failure to disclose fully all relevant facts; or

      iii. A change in any condition that requires either a temporary or permanent reduction or elimination of the authorized discharge.

   c. The permittee shall furnish to the Executive Director, upon request and within a reasonable time, any information to determine whether cause exists for amending, revoking, suspending or terminating the permit. The permittee shall also furnish to the Executive Director, upon request, copies of records required to be kept by the permit.

2. Compliance

   a. Acceptance of the permit by the person to whom it is issued constitutes acknowledgment and agreement that such person will comply with all the terms and conditions embodied in the permit, and the rules and other orders of the Commission.

   b. The permittee has a duty to comply with all conditions of the permit. Failure to comply with any permit condition constitutes a violation of the permit and the Texas Water Code or the Texas Health and Safety Code, and is grounds for enforcement action, for permit amendment, revocation, or suspension, or for denial of a permit renewal application or an application for a permit for another facility.

   c. It shall not be a defense for a permittee in an enforcement action that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with the conditions of the permit.

   d. The permittee shall take all reasonable steps to minimize or prevent any discharge or sludge use or disposal or other permit violation that has a reasonable likelihood of adversely affecting human health or the environment.

   e. Authorization from the Commission is required before beginning any change in the permitted facility or activity that may result in noncompliance with any permit requirements.

f. A permit may be amended, suspended and reissued, or revoked for cause in accordance with 30 TAC §§ 305.62 and 305.66 and TWC§ 7.302. The filing of a request by the permittee for a permit amendment, suspension and reissuance, or termination, or a notification of planned changes or anticipated noncompliance, does not stay any permit condition.

g. There shall be no unauthorized discharge of wastewater or any other waste. For the purpose of this permit, an unauthorized discharge is considered to be any discharge of wastewater into or adjacent to water in the state at any location not permitted as an outfall or otherwise defined in the Other Requirements section of this permit.

h. In accordance with 30 TAC § 305.535(a), the permittee may allow any bypass to occur from a TPDES permitted facility which does not cause permitted effluent limitations to be exceeded or an unauthorized discharge to occur, but only if the bypass is also for essential maintenance to assure efficient operation.

i. The permittee is subject to administrative, civil, and criminal penalties, as applicable, under TWC §§ 7.051 - 7.075 (relating to Administrative Penalties), 7.101 - 7.111 (relating to Civil Penalties), and 7.141 - 7.202 (relating to Criminal Offenses and Penalties) for violations including, but not limited to, negligently or knowingly violating the federal CWA §§ 301, 302, 306, 307, 308, 318, or 405, or any condition or limitation implementing any sections in a permit issued under the CWA § 402, or any requirement imposed in a pretreatment program approved under the CWA §§ 402 (a)(3) or 402 (b)(8).

3. Inspections and Entry

a. Inspection and entry shall be allowed as prescribed in the TWC Chapters 26, 27, and 28, and THSC § 361.

b. The members of the Commission and employees and agents of the Commission are entitled to enter any public or private property at any reasonable time for the purpose of inspecting and investigating conditions relating to the quality of water in the state or the compliance with any rule, regulation, permit or other order of the Commission. Members, employees, or agents of the Commission and Commission contractors are entitled to enter public or private property at any reasonable time to investigate or monitor or, if the responsible party is not responsive or there is an immediate danger to public health or the environment, to remove or remediate a condition related to the quality of water in the state. Members, employees, Commission contractors, or agents acting under this authority who enter private property shall observe the establishment's rules and regulations concerning safety, internal security, and fire protection, and if the property has management in residence, shall notify management or the person then in charge of his presence and shall exhibit proper credentials. If any member, employee, Commission contractor, or agent is refused the right to enter in or on public or private property under this authority, the Executive Director may invoke the remedies authorized in TWC § 7.002. The statement above, that Commission entry shall occur in accordance with an establishment's rules and regulations concerning safety, internal security, and fire protection, is not grounds for denial or restriction of entry to any part of the facility, but merely describes the Commission's duty to observe appropriate rules and regulations during an inspection.

4. Permit Amendment and/or Renewal

   a. The permittee shall give notice to the Executive Director as soon as possible of any planned physical alterations or additions to the permitted facility if such alterations or additions would require a permit amendment or result in a violation of permit requirements. Notice shall also be required under this paragraph when:

      i. The alteration or addition to a permitted facility may meet one of the criteria for determining whether a facility is a new source in accordance with 30 TAC § 305.534 (relating to New Sources and New Dischargers); or

      ii. The alteration or addition could significantly change the nature or increase the quantity of pollutants discharged. This notification applies to pollutants that are subject neither to effluent limitations in the permit, nor to notification requirements in Monitoring and Reporting Requirements No. 9;

      iii. The alteration or addition results in a significant change in the permittee's sludge use or disposal practices, and such alteration, addition, or change may justify the application of permit conditions that are different from or absent in the existing permit, including notification of additional use or disposal sites not reported during the permit application process or not reported pursuant to an approved land application plan.

   b. Prior to any facility modifications, additions, or expansions that will increase the plant capacity beyond the permitted flow, the permittee must apply for and obtain proper authorization from the Commission before commencing construction.

   c. The permittee must apply for an amendment or renewal at least 180 days prior to expiration of the existing permit in order to continue a permitted activity after the expiration date of the permit. If an application is submitted prior to the expiration date of the permit, the existing permit shall remain in effect until the application is approved, denied, or returned. If the application is returned or denied, authorization to continue such activity shall terminate upon the effective date of the action. If an application is not submitted prior to the expiration date of the permit, the permit shall expire and authorization to continue such activity shall terminate.

   d. Prior to accepting or generating wastes which are not described in the permit application or which would result in a significant change in the quantity or quality of the existing discharge, the permittee must report the proposed changes to the Commission. The permittee must apply for a permit amendment reflecting any necessary changes in permit conditions, including effluent limitations for pollutants not identified and limited by this permit.

   e. In accordance with the TWC § 26.029(b), after a public hearing, notice of which shall be given to the permittee, the Commission may require the permittee, from time to time, for good cause, in accordance with applicable laws, to conform to new or additional conditions.

   f. If any toxic effluent standard or prohibition (including any schedule of compliance specified in such effluent standard or prohibition) is promulgated under CWA § 307(a) for a toxic pollutant which is present in the discharge and that standard or prohibition is more stringent than any limitation on the pollutant in this permit, this permit shall be

modified or revoked and reissued to conform to the toxic effluent standard or prohibition. The permittee shall comply with effluent standards or prohibitions established under CWA § 307(a) for toxic pollutants within the time provided in the regulations that established those standards or prohibitions, even if the permit has not yet been modified to incorporate the requirement.

5. Permit Transfer

   a. Prior to any transfer of this permit, Commission approval must be obtained. The Commission shall be notified in writing of any change in control or ownership of facilities authorized by this permit. Such notification should be sent to the Applications Review and Processing Team (MC 148) of the Water Quality Division.

   b. A permit may be transferred only according to the provisions of 30 TAC § 305.64 (relating to Transfer of Permits) and 30 TAC § 50.133 (relating to Executive Director Action on Application or WQMP update).

6. Relationship to Hazardous Waste Activities

   This permit does not authorize any activity of hazardous waste storage, processing, or disposal that requires a permit or other authorization pursuant to the Texas Health and Safety Code.

7. Relationship to Water Rights

   Disposal of treated effluent by any means other than discharge directly to water in the state must be specifically authorized in this permit and may require a permit pursuant to TWC Chapter 11.

8. Property Rights

   A permit does not convey any property rights of any sort, or any exclusive privilege.

9. Permit Enforceability

   The conditions of this permit are severable, and if any provision of this permit, or the application of any provision of this permit to any circumstances, is held invalid, the application of such provision to other circumstances, and the remainder of this permit, shall not be affected thereby.

10. Relationship to Permit Application

    The application pursuant to which the permit has been issued is incorporated herein; provided, however, that in the event of a conflict between the provisions of this permit and the application, the provisions of the permit shall control.

11. Notice of Bankruptcy

    a. Each permittee shall notify the Executive Director, in writing, immediately following the filing of a voluntary or involuntary petition for bankruptcy under any chapter of Title 11 Bankruptcy) of the United States Code (11 USC) by or against:

       i. the permittee;

ii. an entity (as that term is defined in 11 USC, § 101(14)) controlling the permittee or listing the permit or permittee as property of the estate; or

iii. an affiliate (as that term is defined in 11 USC, § 101(2)) of the permittee.

b. This notification must indicate:

i. the name of the permittee and the permit number(s);

ii. the bankruptcy court in which the petition for bankruptcy was filed; and

iii. the date of filing of the petition.

OPERATIONAL REQUIREMENTS

1. The permittee shall at all times ensure that the facility and all of its systems of collection, treatment, and disposal are properly operated and maintained. This includes, but is not limited to, the regular, periodic examination of wastewater solids within the treatment plant by the operator in order to maintain an appropriate quantity and quality of solids inventory as described in the various operator training manuals and according to accepted industry standards for process control. Process control, maintenance, and operations records shall be retained at the facility site, or shall be readily available for review by a TCEQ representative, for a period of three years.

2. Upon request by the Executive Director, the permittee shall take appropriate samples and provide proper analysis in order to demonstrate compliance with Commission rules. Unless otherwise specified in this permit or otherwise ordered by the Commission, the permittee shall comply with all applicable provisions of 30 TAC Chapter 312 concerning sewage sludge use and disposal and 30 TAC §§ 319.21 - 319.29 concerning the discharge of certain hazardous metals.

3. Domestic wastewater treatment facilities shall comply with the following provisions:

   a. The permittee shall notify the Municipal Permits Team, Wastewater Permitting Section (MC 148) of the Water Quality Division, in writing, of any facility expansion at least 90 days prior to conducting such activity.

   b. The permittee shall submit a closure plan for review and approval to the Municipal Permits Team, Wastewater Permitting Section (MC 148) of the Water Quality Division, for any closure activity at least 90 days prior to conducting such activity. Closure is the act of permanently taking a waste management unit or treatment facility out of service and includes the permanent removal from service of any pit, tank, pond, lagoon, surface impoundment and/or other treatment unit regulated by this permit.

4. The permittee is responsible for installing prior to plant start-up, and subsequently maintaining, adequate safeguards to prevent the discharge of untreated or inadequately treated wastes during electrical power failures by means of alternate power sources, standby generators, and/or retention of inadequately treated wastewater.

5. Unless otherwise specified, the permittee shall provide a readily accessible sampling point and, where applicable, an effluent flow measuring device or other acceptable means by which effluent flow may be determined.

6. The permittee shall remit an annual water quality fee to the Commission as required by 30 TAC Chapter 21. Failure to pay the fee may result in revocation of this permit under TWC § 7.302(b)(6).

7. Documentation

   For all written notifications to the Commission required of the permittee by this permit, the permittee shall keep and make available a copy of each such notification under the same conditions as self-monitoring data are required to be kept and made available. Except for information required for TPDES permit applications, effluent data, including effluent data in permits, draft permits and permit applications, and other information specified as not confidential in 30 TAC §§ 1.5(d), any information submitted pursuant to this permit may be claimed as confidential by the submitter. Any such claim must be asserted in the manner prescribed in the application form or by stamping the words confidential business information on each page containing such information. If no claim is made at the time of submission, information may be made available to the public without further notice. If the Commission or Executive Director agrees with the designation of confidentiality, the TCEQ will not provide the information for public inspection unless required by the Texas Attorney General or a court pursuant to an open records request. If the Executive Director does not agree with the designation of confidentiality, the person submitting the information will be notified.

8. Facilities that generate domestic wastewater shall comply with the following provisions; domestic wastewater treatment facilities at permitted industrial sites are excluded.

   a. Whenever flow measurements for any domestic sewage treatment facility reach 75% of the permitted daily average or annual average flow for three consecutive months, the permittee must initiate engineering and financial planning for expansion and/or upgrading of the domestic wastewater treatment and/or collection facilities. Whenever the flow reaches 90% of the permitted daily average or annual average flow for three consecutive months, the permittee shall obtain necessary authorization from the Commission to commence construction of the necessary additional treatment and/or collection facilities. In the case of a domestic wastewater treatment facility which reaches 75% of the permitted daily average or annual average flow for three consecutive months, and the planned population to be served or the quantity of waste produced is not expected to exceed the design limitations of the treatment facility, the permittee shall submit an engineering report supporting this claim to the Executive Director of the Commission.

      If in the judgment of the Executive Director the population to be served will not cause permit noncompliance, then the requirement of this section may be waived. To be effective, any waiver must be in writing and signed by the Director of the Enforcement Division (MC 169) of the Commission, and such waiver of these requirements will be reviewed upon expiration of the existing permit; however, any such waiver shall not be interpreted as condoning or excusing any violation of any permit parameter.

b. The plans and specifications for domestic sewage collection and treatment works associated with any domestic permit must be approved by the Commission and failure to secure approval before commencing construction of such works or making a discharge is a violation of this permit and each day is an additional violation until approval has been secured.

c. Permits for domestic wastewater treatment plants are granted subject to the policy of the Commission to encourage the development of area-wide waste collection, treatment, and disposal systems. The Commission reserves the right to amend any domestic wastewater permit in accordance with applicable procedural requirements to require the system covered by this permit to be integrated into an area-wide system, should such be developed; to require the delivery of the wastes authorized to be collected in, treated by or discharged from said system, to such area-wide system; or to amend this permit in any other particular to effectuate the Commission's policy. Such amendments may be made when the changes required are advisable for water quality control purposes and are feasible on the basis of waste treatment technology, engineering, financial, and related considerations existing at the time the changes are required, exclusive of the loss of investment in or revenues from any then existing or proposed waste collection, treatment or disposal system.

9. Domestic wastewater treatment plants shall be operated and maintained by sewage plant operators holding a valid certificate of competency at the required level as defined in 30 TAC Chapter 30.

10. For Publicly Owned Treatment Works (POTWs), the 30-day average (or monthly average) percent removal for BOD and TSS shall not be less than 85%, unless otherwise authorized by this permit.

11. Facilities that generate industrial solid waste as defined in 30 TAC § 335.1 shall comply with these provisions:

a. Any solid waste, as defined in 30 TAC § 335.1 (including but not limited to such wastes as garbage, refuse, sludge from a waste treatment, water supply treatment plant or air pollution control facility, discarded materials, discarded materials to be recycled, whether the waste is solid, liquid, or semisolid), generated by the permittee during the management and treatment of wastewater, must be managed in accordance with all applicable provisions of 30 TAC Chapter 335, relating to Industrial Solid Waste Management.

b. Industrial wastewater that is being collected, accumulated, stored, or processed before discharge through any final discharge outfall, specified by this permit, is considered to be industrial solid waste until the wastewater passes through the actual point source discharge and must be managed in accordance with all applicable provisions of 30 TAC Chapter 335.

c. The permittee shall provide written notification, pursuant to the requirements of 30 TAC § 335.8(b)(1), to the Environmental Cleanup Section (MC 127) of the Remediation Division informing the Commission of any closure activity involving an Industrial Solid Waste Management Unit, at least 90 days prior to conducting such an activity.

d. Construction of any industrial solid waste management unit requires the prior written notification of the proposed activity to the Registration and Reporting Section (MC 129) of the Registration, Review, and Reporting Division. No person shall dispose of industrial solid waste, including sludge or other solids from wastewater treatment processes, prior to fulfilling the deed recordation requirements of 30 TAC § 335.5.

e. The term "industrial solid waste management unit" means a landfill, surface impoundment, waste-pile, industrial furnace, incinerator, cement kiln, injection well, container, drum, salt dome waste containment cavern, or any other structure vessel, appurtenance, or other improvement on land used to manage industrial solid waste.

f. The permittee shall keep management records for all sludge (or other waste) removed from any wastewater treatment process. These records shall fulfill all applicable requirements of 30 TAC § 335 and must include the following, as it pertains to wastewater treatment and discharge:

   i. Volume of waste and date(s) generated from treatment process;
   ii. Volume of waste disposed of on-site or shipped off-site;
   iii. Date(s) of disposal;
   iv. Identity of hauler or transporter;
   v. Location of disposal site; and
   vi. Method of final disposal.

   The above records shall be maintained on a monthly basis. The records shall be retained at the facility site, or shall be readily available for review by authorized representatives of the TCEQ for at least five years.

12. For industrial facilities to which the requirements of 30 TAC § 335 do not apply, sludge and solid wastes, including tank cleaning and contaminated solids for disposal, shall be disposed of in accordance with THSC § 361.

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SLUDGE PROVISIONS

The permittee is authorized to dispose of sludge only at a Texas Commission on Environmental Quality (TCEQ) authorized land application site, co-disposal landfill, wastewater treatment facility, or facility that further processes sludge. **The disposal of sludge by land application on property owned, leased or under the direct control of the permittee is a violation of the permit unless the site is authorized with the TCEQ. This provision does not authorize Distribution and Marketing of Class A or Class AB Sewage Sludge. This provision does not authorize the permittee to land apply sludge on property owned, leased or under the direct control of the permittee.**

SECTION I. REQUIREMENTS APPLYING TO ALL SEWAGE SLUDGE LAND APPLICATION

A. General Requirements

1. The permittee shall handle and dispose of sewage sludge in accordance with 30 TAC § 312 and all other applicable state and federal regulations in a manner that protects public health and the environment from any reasonably anticipated adverse effects due to any toxic pollutants that may be present in the sludge.

2. In all cases, if the person (permit holder) who prepares the sewage sludge supplies the sewage sludge to another person for land application use or to the owner or lease holder of the land, the permit holder shall provide necessary information to the parties who receive the sludge to assure compliance with these regulations.

3. The permittee shall give 180 days prior notice to the Executive Director in care of the Wastewater Permitting Section (MC 148) of the Water Quality Division of any change planned in the sewage sludge disposal practice.

B. Testing Requirements

1. Sewage sludge shall be tested once during the term of this permit in accordance with the method specified in both 40 CFR Part 261, Appendix II and 40 CFR Part 268, Appendix I [Toxicity Characteristic Leaching Procedure (TCLP)] or other method that receives the prior approval of the TCEQ for the contaminants listed in 40 CFR Part 261.24, Table 1. Sewage sludge failing this test shall be managed according to RCRA standards for generators of hazardous waste, and the waste's disposition must be in accordance with all applicable requirements for hazardous waste processing, storage, or disposal. Following failure of any TCLP test, the management or disposal of sewage sludge at a facility other than an authorized hazardous waste processing, storage, or disposal facility shall be prohibited until such time as the permittee can demonstrate the sewage sludge no longer exhibits the hazardous waste toxicity characteristics (as demonstrated by the results of the TCLP tests). A written report shall be provided to both the TCEQ Registration and Reporting Section (MC 129) of the Permitting and Remediation Support Division and the Regional Director (MC Region 12) within seven (7) days after failing the TCLP Test.

The report shall contain test results, certification that unauthorized waste management has stopped and a summary of alternative disposal plans that comply with RCRA standards for the management of hazardous waste. The report shall be addressed to: Director, Registration, Review, and Reporting Division (MC 129), Texas Commission on Environmental Quality, P.O. Box 13087, Austin, Texas 78711-3087. In addition, the permittee shall prepare an annual report on the results of all sludge toxicity testing. This annual report shall be submitted to the TCEQ Regional Office (MC Region 12) and the Compliance Monitoring Team (MC 224) of the Enforcement Division by September 30th of each year. Effective September 1, 2020, the permittee must submit this annual report using the online electronic reporting system available through the TCEQ website unless the permittee requests and obtains an electronic reporting waiver.

2. Sewage sludge shall not be applied to the land if the concentration of the pollutants exceeds the pollutant concentration criteria in Table 1. The frequency of testing for pollutants in Table 1 is found in Section I.C.

TABLE 1

Pollutant	Ceiling Concentration (Milligrams per kilogram)*
Arsenic	75
Cadmium	85
Chromium	3000
Copper	4300
Lead	840
Mercury	57
Molybdenum	75
Nickel	420
PCBs	49
Selenium	100
Zinc	7500

* Dry weight basis

3. Pathogen Control

All sewage sludge that is applied to agricultural land, forest, a public contact site, or a reclamation site must be treated by one of the following methods to ensure that the sludge meets either the Class A, Class AB or Class B pathogen requirements.

a. For sewage sludge to be classified as Class A with respect to pathogens, the density of fecal coliform in the sewage sludge be less than 1,000 most probable number (MPN) per gram of total solids (dry weight basis), or the density of *Salmonella* sp. bacteria in the sewage sludge be less than three MPN per four grams of total solids (dry weight basis) at the time the sewage sludge is used or disposed. In addition, one of the alternatives listed below must be met.

Alternative 1 - The temperature of the sewage sludge that is used or disposed shall be maintained at or above a specific value for a period of time. See 30 TAC § 312.82(a)(2)(A) for specific information.

Alternative 5 (PFRP) - Sewage sludge that is used or disposed of must be treated in one of the Processes to Further Reduce Pathogens (PFRP) described in 40 CFR Part 503, Appendix B. PFRP include composting, heat drying, heat treatment, and thermophilic aerobic digestion.

Alternative 6 (PFRP Equivalent) - Sewage sludge that is used or disposed of must be treated in a process that has been approved by the U. S. Environmental Protection Agency as being equivalent to those in Alternative 5.

b. For sewage sludge to be classified as Class AB with respect to pathogens, the density of fecal coliform in the sewage sludge be less than 1,000 MPN per gram of total solids (dry weight basis), or the density of *Salmonella* sp. bacteria in the sewage sludge be less than three MPN per four grams of total solids (dry weight basis) at the time the sewage sludge is used or disposed. In addition, one of the alternatives listed below must be met.

Alternative 2 - The pH of the sewage sludge that is used or disposed shall be raised to above 12 std. units and shall remain above 12 std. units for 72 hours.

The temperature of the sewage sludge shall be above 52° Celsius for 12 hours or longer during the period that the pH of the sewage sludge is above 12 std. units.

At the end of the 72-hour period during which the pH of the sewage sludge is above 12 std. units, the sewage sludge shall be air dried to achieve a percent solids in the sewage sludge greater than 50%.

Alternative 3 - The sewage sludge shall be analyzed for enteric viruses prior to pathogen treatment. The limit for enteric viruses is less than one Plaque-forming Unit per four grams of total solids (dry weight basis) either before or following pathogen treatment. See 30 TAC § 312.82(a)(2)(C)(i-iii) for specific information. The sewage sludge shall be analyzed for viable helminth ova prior to pathogen treatment. The limit for viable helminth ova is less than one per four grams of total solids (dry weight basis) either before or following pathogen treatment. See 30 TAC § 312.82(a)(2)(C)(iv-vi) for specific information.

Alternative 4 - The density of enteric viruses in the sewage sludge shall be less than one Plaque-forming Unit per four grams of total solids (dry weight basis) at the time the sewage sludge is used or disposed. The density of viable helminth ova in the sewage sludge shall be less than one per four grams of total solids (dry weight basis) at the time the sewage sludge is used or disposed.

c. Sewage sludge that meets the requirements of Class AB sewage sludge may be classified a Class A sewage sludge if a variance request is submitted in writing that is supported by substantial documentation demonstrating equivalent methods for reducing odors and written approval is granted by the executive director. The executive director may deny the variance request or revoke that approved variance if it is determined that the variance may potentially endanger human health or the environment, or create nuisance odor conditions.

d. Three alternatives are available to demonstrate compliance with Class B criteria for

sewage sludge.

Alternative 1

i. A minimum of seven random samples of the sewage sludge shall be collected within 48 hours of the time the sewage sludge is used or disposed of during each monitoring episode for the sewage sludge.

ii. The geometric mean of the density of fecal coliform in the samples collected shall be less than either 2,000,000 MPN per gram of total solids (dry weight basis) or 2,000,000 Colony Forming Units per gram of total solids (dry weight basis).

Alternative 2 - Sewage sludge that is used or disposed of shall be treated in one of the Processes to Significantly Reduce Pathogens (PSRP) described in 40 CFR Part 503, Appendix B, so long as all of the following requirements are met by the generator of the sewage sludge.

i. Prior to use or disposal, all the sewage sludge must have been generated from a single location, except as provided in paragraph v. below;

ii. An independent Texas Licensed Professional Engineer must make a certification to the generator of a sewage sludge that the wastewater treatment facility generating the sewage sludge is designed to achieve one of the PSRP at the permitted design loading of the facility. The certification need only be repeated if the design loading of the facility is increased. The certification shall include a statement indicating the design meets all the applicable standards specified in Appendix B of 40 CFR Part 503;

iii. Prior to any off-site transportation or on-site use or disposal of any sewage sludge generated at a wastewater treatment facility, the chief certified operator of the wastewater treatment facility or other responsible official who manages the processes to significantly reduce pathogens at the wastewater treatment facility for the permittee, shall certify that the sewage sludge underwent at least the minimum operational requirements necessary in order to meet one of the PSRP. The acceptable processes and the minimum operational and record keeping requirements shall be in accordance with established U.S. Environmental Protection Agency final guidance;

iv. All certification records and operational records describing how the requirements of this paragraph were met shall be kept by the generator for a minimum of three years and be available for inspection by commission staff for review; and

v. If the sewage sludge is generated from a mixture of sources, resulting from a person who prepares sewage sludge from more than one wastewater treatment facility, the resulting derived product shall meet one of the PSRP, and shall meet the certification, operation, and record keeping requirements of this paragraph.

Alternative 3 - Sewage sludge shall be treated in an equivalent process that has been approved by the U.S. Environmental Protection Agency, so long as all of the following requirements are met by the generator of the sewage sludge.

i. Prior to use or disposal, all the sewage sludge must have been generated from a

single location, except as provided in paragraph v. below;

ii. Prior to any off-site transportation or on-site use or disposal of any sewage sludge generated at a wastewater treatment facility, the chief certified operator of the wastewater treatment facility or other responsible official who manages the processes to significantly reduce pathogens at the wastewater treatment facility for the permittee, shall certify that the sewage sludge underwent at least the minimum operational requirements necessary in order to meet one of the PSRP. The acceptable processes and the minimum operational and record keeping requirements shall be in accordance with established U.S. Environmental Protection Agency final guidance;

iii. All certification records and operational records describing how the requirements of this paragraph were met shall be kept by the generator for a minimum of three years and be available for inspection by commission staff for review;

iv. The Executive Director will accept from the U.S. Environmental Protection Agency a finding of equivalency to the defined PSRP; and

v. If the sewage sludge is generated from a mixture of sources resulting from a person who prepares sewage sludge from more than one wastewater treatment facility, the resulting derived product shall meet one of the Processes to Significantly Reduce Pathogens, and shall meet the certification, operation, and record keeping requirements of this paragraph.

In addition, the following site restrictions must be met if Class B sludge is land applied:

i. Food crops with harvested parts that touch the sewage sludge/soil mixture and are totally above the land surface shall not be harvested for 14 months after application of sewage sludge.

ii. Food crops with harvested parts below the surface of the land shall not be harvested for 20 months after application of sewage sludge when the sewage sludge remains on the land surface for 4 months or longer prior to incorporation into the soil.

iii. Food crops with harvested parts below the surface of the land shall not be harvested for 38 months after application of sewage sludge when the sewage sludge remains on the land surface for less than 4 months prior to incorporation into the soil.

iv. Food crops, feed crops, and fiber crops shall not be harvested for 30 days after application of sewage sludge.

v. Animals shall not be allowed to graze on the land for 30 days after application of sewage sludge.

vi. Turf grown on land where sewage sludge is applied shall not be harvested for 1 year after application of the sewage sludge when the harvested turf is placed on either land with a high potential for public exposure or a lawn.

vii. Public access to land with a high potential for public exposure shall be restricted for 1 year after application of sewage sludge.

viii. Public access to land with a low potential for public exposure shall be restricted for 30 days after application of sewage sludge.

ix. Land application of sludge shall be in accordance with the buffer zone requirements found in 30 TAC § 312.44.

4. Vector Attraction Reduction Requirements

All bulk sewage sludge that is applied to agricultural land, forest, a public contact site, or a reclamation site shall be treated by one of the following Alternatives 1 through 10 for vector attraction reduction.

Alternative 1 - The mass of volatile solids in the sewage sludge shall be reduced by a minimum of 38%.

Alternative 2 - If Alternative 1 cannot be met for an anaerobically digested sludge, demonstration can be made by digesting a portion of the previously digested sludge anaerobically in the laboratory in a bench-scale unit for 40 additional days at a temperature between 30° and 37° Celsius. Volatile solids must be reduced by less than 17% to demonstrate compliance.

Alternative 3 - If Alternative 1 cannot be met for an aerobically digested sludge, demonstration can be made by digesting a portion of the previously digested sludge with percent solids of two percent or less aerobically in the laboratory in a bench-scale unit for 30 additional days at 20° Celsius. Volatile solids must be reduced by less than 15% to demonstrate compliance.

Alternative 4 - The specific oxygen uptake rate (SOUR) for sewage sludge treated in an aerobic process shall be equal to or less than 1.5 milligrams of oxygen per hour per gram of total solids (dry weight basis) at a temperature of 20° Celsius.

Alternative 5 - Sewage sludge shall be treated in an aerobic process for 14 days or longer. During that time, the temperature of the sewage sludge shall be higher than 40° Celsius and the average temperature of the sewage sludge shall be higher than 45° Celsius.

Alternative 6 - The pH of sewage sludge shall be raised to 12 or higher by alkali addition and, without the addition of more alkali shall remain at 12 or higher for two hours and then remain at a pH of 11.5 or higher for an additional 22 hours at the time the sewage sludge is prepared for sale or given away in a bag or other container.

Alternative 7 - The percent solids of sewage sludge that does not contain unstabilized solids generated in a primary wastewater treatment process shall be equal to or greater than 75% based on the moisture content and total solids prior to mixing with other materials. Unstabilized solids are defined as organic materials in sewage sludge that have not been

treated in either an aerobic or anaerobic treatment process.

Alternative 8 - The percent solids of sewage sludge that contains unstabilized solids generated in a primary wastewater treatment process shall be equal to or greater than 90% based on the moisture content and total solids prior to mixing with other materials at the time the sludge is used. Unstabilized solids are defined as organic materials in sewage sludge that have not been treated in either an aerobic or anaerobic treatment process.

Alternative 9 -

i. Sewage sludge shall be injected below the surface of the land.

ii. No significant amount of the sewage sludge shall be present on the land surface within one hour after the sewage sludge is injected.

iii. When sewage sludge that is injected below the surface of the land is Class A or Class AB with respect to pathogens, the sewage sludge shall be injected below the land surface within eight hours after being discharged from the pathogen treatment process.

Alternative 10-

i. Sewage sludge applied to the land surface or placed on a surface disposal site shall be incorporated into the soil within six hours after application to or placement on the land.

ii. When sewage sludge that is incorporated into the soil is Class A or Class AB with respect to pathogens, the sewage sludge shall be applied to or placed on the land within eight hours after being discharged from the pathogen treatment process.

C. Monitoring Requirements

Toxicity Characteristic Leaching Procedure (TCLP) Test	- once during the term of this permit
PCBs	- once during the term of this permit

All metal constituents and fecal coliform or *Salmonella* sp. bacteria shall be monitored at the appropriate frequency shown below, pursuant to 30 TAC § 312.46(a)(1):

Amount of sewage sludge (*) metric tons per 365-day period	Monitoring Frequency
0 to less than 290	Once/Year
290 to less than 1,500	Once/Quarter
1,500 to less than 15,000	Once/Two Months
15,000 or greater	Once/Month

(*) *The amount of bulk sewage sludge applied to the land (dry wt. basis).*

Representative samples of sewage sludge shall be collected and analyzed in accordance with the methods referenced in 30 TAC § 312.7

Identify each of the analytic methods used by the facility to analyze enteric viruses, fecal coliforms, helminth ova, *Salmonella sp.*, and other regulated parameters.

Identify in the following categories (as applicable) the sewage sludge treatment process or processes at the facility: preliminary operations (*e.g.*, sludge grinding and degritting), thickening (concentration), stabilization, anaerobic digestion, aerobic digestion, composting, conditioning, disinfection (*e.g.*, beta ray irradiation, gamma ray irradiation, pasteurization), dewatering (*e.g.*, centrifugation, sludge drying beds, sludge lagoons), heat drying, thermal reduction, and methane or biogas capture and recovery.

Identify the nature of material generated by the facility (such as a biosolid for beneficial use or land-farming, or sewage sludge for disposal at a monofill) and whether the material is ultimately conveyed off-site in bulk or in bags.

SECTION II. REQUIREMENTS SPECIFIC TO BULK SEWAGE SLUDGE FOR APPLICATION TO THE LAND MEETING CLASS A, CLASS AB or B PATHOGEN REDUCTION AND THE CUMULATIVE LOADING RATES IN TABLE 2, OR CLASS B PATHOGEN REDUCTION AND THE POLLUTANT CONCENTRATIONS IN TABLE 3

For those permittees meeting Class A, Class AB or B pathogen reduction requirements and that meet the cumulative loading rates in Table 2 below, or the Class B pathogen reduction requirements and contain concentrations of pollutants below listed in Table 3, the following conditions apply:

A. Pollutant Limits

Table 2

Pollutant	Cumulative Pollutant Loading Rate (pounds per acre)*
Arsenic	36
Cadmium	35
Chromium	2677
Copper	1339
Lead	268
Mercury	15
Molybdenum	Report Only
Nickel	375
Selenium	89
Zinc	2500

Table 3

Pollutant	Monthly Average Concentration (milligrams per kilogram)*
Arsenic	41
Cadmium	39
Chromium	1200
Copper	1500
Lead	300
Mercury	17
Molybdenum	Report Only
Nickel	420
Selenium	36
Zinc	2800

*Dry weight basis

B. Pathogen Control

All bulk sewage sludge that is applied to agricultural land, forest, a public contact site, a reclamation site, shall be treated by either Class A, Class AB or Class B pathogen reduction requirements as defined above in Section I.B.3.

C. Management Practices

1. Bulk sewage sludge shall not be applied to agricultural land, forest, a public contact site, or a reclamation site that is flooded, frozen, or snow-covered so that the bulk sewage sludge enters a wetland or other waters in the State.

2. Bulk sewage sludge not meeting Class A requirements shall be land applied in a manner which complies with Applicability in accordance with 30 TAC §312.41 and the Management Requirements in accordance with 30 TAC § 312.44.

3. Bulk sewage sludge shall be applied at or below the agronomic rate of the cover crop.

4. An information sheet shall be provided to the person who receives bulk sewage sludge sold or given away. The information sheet shall contain the following information:

   a. The name and address of the person who prepared the sewage sludge that is sold or given away in a bag or other container for application to the land.

   b. A statement that application of the sewage sludge to the land is prohibited except in accordance with the instruction on the label or information sheet.

   c. The annual whole sludge application rate for the sewage sludge application rate for the sewage sludge that does not cause any of the cumulative pollutant loading rates in Table 2 above to be exceeded, unless the pollutant concentrations in Table 3 found in Section II above are met.

D. Notification Requirements

1. If bulk sewage sludge is applied to land in a State other than Texas, written notice shall be provided prior to the initial land application to the permitting authority for the State in which the bulk sewage sludge is proposed to be applied. The notice shall include:

   a. The location, by street address, and specific latitude and longitude, of each land application site.

   b. The approximate time period bulk sewage sludge will be applied to the site.

   c. The name, address, telephone number, and National Pollutant Discharge Elimination System permit number (if appropriate) for the person who will apply the bulk sewage sludge.

2. The permittee shall give 180 days prior notice to the Executive Director in care of the Wastewater Permitting Section (MC 148) of the Water Quality Division of any change planned in the sewage sludge disposal practice.

E. Record keeping Requirements

The sludge documents will be retained at the facility site and/or shall be readily available for review by a TCEQ representative. The person who prepares bulk sewage sludge or a sewage sludge material shall develop the following information and shall retain the information at

the facility site and/or shall be readily available for review by a TCEQ representative for a period of five years. If the permittee supplies the sludge to another person who land applies the sludge, the permittee shall notify the land applier of the requirements for record keeping found in 30 TAC § 312.47 for persons who land apply.

1. The concentration (mg/kg) in the sludge of each pollutant listed in Table 3 above and the applicable pollutant concentration criteria (mg/kg), or the applicable cumulative pollutant loading rate and the applicable cumulative pollutant loading rate limit (lbs/ac) listed in Table 2 above.

2. A description of how the pathogen reduction requirements are met (including site restrictions for Class AB and Class B sludge, if applicable).

3. A description of how the vector attraction reduction requirements are met.

4. A description of how the management practices listed above in Section II.C are being met.

5. The following certification statement:

   "I certify, under penalty of law, that the applicable pathogen requirements in 30 TAC § 312.82(a) or (b) and the vector attraction reduction requirements in 30 TAC § 312.83(b) have been met for each site on which bulk sewage sludge is applied. This determination has been made under my direction and supervision in accordance with the system designed to ensure that qualified personnel properly gather and evaluate the information used to determine that the management practices have been met. I am aware that there are significant penalties for false certification including fine and imprisonment."

6. The recommended agronomic loading rate from the references listed in Section II.C.3. above, as well as the actual agronomic loading rate shall be retained. The person who applies bulk sewage sludge or a sewage sludge material shall develop the following information and shall retain the information at the facility site and/or shall be readily available for review by a TCEQ representative indefinitely. If the permittee supplies the sludge to another person who land applies the sludge, the permittee shall notify the land applier of the requirements for record keeping found in 30 TAC § 312.47 for persons who land apply:

   a. A certification statement that all applicable requirements (specifically listed) have been met, and that the permittee understands that there are significant penalties for false certification including fine and imprisonment. See 30 TAC § 312.47(a)(4)(A)(ii) or 30 TAC § 312.47(a)(5)(A)(ii), as applicable, and to the permittee's specific sludge treatment activities.

   b. The location, by street address, and specific latitude and longitude, of each site on which sludge is applied.

   c. The number of acres in each site on which bulk sludge is applied.

   d. The date and time sludge is applied to each site.

e. The cumulative amount of each pollutant in pounds/acre listed in Table 2 applied to each site.

f. The total amount of sludge applied to each site in dry tons.

The above records shall be maintained on-site on a monthly basis and shall be made available to the Texas Commission on Environmental Quality upon request.

F. Reporting Requirements

The permittee shall report annually to the TCEQ Regional Office (MC Region 12) and Compliance Monitoring Team (MC 224) of the Enforcement Division, by September 30th of each year the following information. Effective September 1, 2020, the permittee must submit this annual report using the online electronic reporting system available through the TCEQ website unless the permittee requests and obtains an electronic reporting waiver.

1. Identify in the following categories (as applicable) the sewage sludge treatment process or processes at the facility: preliminary operations (*e.g.*, sludge grinding and degritting), thickening (concentration), stabilization, anaerobic digestion, aerobic digestion, composting, conditioning, disinfection (*e.g.*, beta ray irradiation, gamma ray irradiation, pasteurization), dewatering (*e.g.*, centrifugation, sludge drying beds, sludge lagoons), heat drying, thermal reduction, and methane or biogas capture and recovery.

2. Identify the nature of material generated by the facility (such as a biosolid for beneficial use or land-farming, or sewage sludge for disposal at a monofill) and whether the material is ultimately conveyed off-site in bulk or in bags.

3. Results of tests performed for pollutants found in either Table 2 or 3 as appropriate for the permittee's land application practices.

4. The frequency of monitoring listed in Section I.C. that applies to the permittee.

5. Toxicity Characteristic Leaching Procedure (TCLP) results.

6. PCB concentration in sludge in mg/kg.

7. Identity of hauler(s) and TCEQ transporter number.

8. Date(s) of transport.

9. Texas Commission on Environmental Quality registration number, if applicable.

10. Amount of sludge disposal dry weight (lbs/acre) at each disposal site.

11. The concentration (mg/kg) in the sludge of each pollutant listed in Table 1 (defined as a monthly average) as well as the applicable pollutant concentration criteria (mg/kg) listed in Table 3 above, or the applicable pollutant loading rate limit (lbs/acre) listed in Table 2 above if it exceeds 90% of the limit.

12. Level of pathogen reduction achieved (Class A, Class AB or Class B).

13. Alternative used as listed in Section I.B.3.(a. or b.). Alternatives describe how the pathogen reduction requirements are met. If Class B sludge, include information on how site restrictions were met.

14. Identify each of the analytic methods used by the facility to analyze enteric viruses, fecal coliforms, helminth ova, *Salmonella sp.*, and other regulated parameters.

15. Vector attraction reduction alternative used as listed in Section I.B.4.

16. Amount of sludge transported in dry tons/year.

17. The certification statement listed in either 30 TAC § 312.47(a)(4)(A)(ii) or 30 TAC § 312.47(a)(5)(A)(ii) as applicable to the permittee's sludge treatment activities, shall be attached to the annual reporting form.

18. When the amount of any pollutant applied to the land exceeds 90% of the cumulative pollutant loading rate for that pollutant, as described in Table 2, the permittee shall report the following information as an attachment to the annual reporting form.

    a. The location, by street address, and specific latitude and longitude.

    b. The number of acres in each site on which bulk sewage sludge is applied.

    c. The date and time bulk sewage sludge is applied to each site.

    d. The cumulative amount of each pollutant (i.e., pounds/acre) listed in Table 2 in the bulk sewage sludge applied to each site.

    e. The amount of sewage sludge (i.e., dry tons) applied to each site.

    The above records shall be maintained on a monthly basis and shall be made available to the Texas Commission on Environmental Quality upon request.

SECTION III. REQUIREMENTS APPLYING TO ALL SEWAGE SLUDGE DISPOSED IN A MUNICIPAL SOLID WASTE LANDFILL

A. The permittee shall handle and dispose of sewage sludge in accordance with 30 TAC § 330 and all other applicable state and federal regulations to protect public health and the environment from any reasonably anticipated adverse effects due to any toxic pollutants that may be present. The permittee shall ensure that the sewage sludge meets the requirements in 30 TAC § 330 concerning the quality of the sludge disposed in a municipal solid waste landfill.

B. If the permittee generates sewage sludge and supplies that sewage sludge to the owner or operator of a municipal solid waste landfill (MSWLF) for disposal, the permittee shall provide to the owner or operator of the MSWLF appropriate information needed to be in compliance with the provisions of this permit.

C. The permittee shall give 180 days prior notice to the Executive Director in care of the Wastewater Permitting Section (MC 148) of the Water Quality Division of any change planned in the sewage sludge disposal practice.

D. Sewage sludge shall be tested once during the term of this permit in accordance with the method specified in both 40 CFR Part 261, Appendix II and 40 CFR Part 268, Appendix I (Toxicity Characteristic Leaching Procedure) or other method, which receives the prior approval of the TCEQ for contaminants listed in Table 1 of 40 CFR § 261.24. Sewage sludge failing this test shall be managed according to RCRA standards for generators of hazardous waste, and the waste's disposition must be in accordance with all applicable requirements for hazardous waste processing, storage, or disposal.

   Following failure of any TCLP test, the management or disposal of sewage sludge at a facility other than an authorized hazardous waste processing, storage, or disposal facility shall be prohibited until such time as the permittee can demonstrate the sewage sludge no longer exhibits the hazardous waste toxicity characteristics (as demonstrated by the results of the TCLP tests). A written report shall be provided to both the TCEQ Registration and Reporting Section (MC 129) of the Permitting and Remediation Support Division and the Regional Director (MC Region 12) of the appropriate TCEQ field office within 7 days after failing the TCLP Test.

   The report shall contain test results, certification that unauthorized waste management has stopped and a summary of alternative disposal plans that comply with RCRA standards for the management of hazardous waste. The report shall be addressed to: Director, Registration, Review, and Reporting Division (MC 129), Texas Commission on Environmental Quality, P. O. Box 13087, Austin, Texas 78711-3087. In addition, the permittee shall prepare an annual report on the results of all sludge toxicity testing. This annual report shall be submitted to the TCEQ Regional Office (MC Region 12) and the Compliance Monitoring Team (MC 224) of the Enforcement Division by September 30 of each year.

E. Sewage sludge shall be tested as needed, in accordance with the requirements of 30 TAC Chapter 330.

F. Record keeping Requirements

   The permittee shall develop the following information and shall retain the information for five years.

1. The description (including procedures followed and the results) of all liquid Paint Filter Tests performed.

2. The description (including procedures followed and results) of all TCLP tests performed.

The above records shall be maintained on-site on a monthly basis and shall be made available to the Texas Commission on Environmental Quality upon request.

G. Reporting Requirements

The permittee shall report annually to the TCEQ Regional Office (MC Region 12) and Compliance Monitoring Team (MC 224) of the Enforcement Division by September 30th of each year the following information. Effective September 1, 2020, the permittee must submit this annual report using the online electronic reporting system available through the TCEQ website unless the permittee requests and obtains an electronic reporting waiver.

1. Identify in the following categories (as applicable) the sewage sludge treatment process or processes at the facility: preliminary operations (*e.g.*, sludge grinding and degritting), thickening (concentration), stabilization, anaerobic digestion, aerobic digestion, composting, conditioning, disinfection (*e.g.*, beta ray irradiation, gamma ray irradiation, pasteurization), dewatering (*e.g.*, centrifugation, sludge drying beds, sludge lagoons), heat drying, thermal reduction, and methane or biogas capture and recovery.

2. Toxicity Characteristic Leaching Procedure (TCLP) results.

3. Annual sludge production in dry tons/year.

4. Amount of sludge disposed in a municipal solid waste landfill in dry tons/year.

5. Amount of sludge transported interstate in dry tons/year.

6. A certification that the sewage sludge meets the requirements of 30 TAC § 330 concerning the quality of the sludge disposed in a municipal solid waste landfill.

7. Identity of hauler(s) and transporter registration number.

8. Owner of disposal site(s).

9. Location of disposal site(s).

10. Date(s) of disposal.

The above records shall be maintained on-site on a monthly basis and shall be made available to the Texas Commission on Environmental Quality upon request.

SECTION IV. REQUIREMENTS APPLYING TO SLUDGE TRANSPORTED TO ANOTHER FACILITY FOR FURTHER PROCESSING

These provisions apply to sludge that is transported to another wastewater treatment facility or facility that further processes sludge. These provisions are intended to allow transport of sludge to facilities that have been authorized to accept sludge. These provisions do not limit the ability of the receiving facility to determine whether to accept the sludge, nor do they limit the ability of the receiving facility to request additional testing or documentation.

A. General Requirements

1. The permittee shall handle and dispose of sewage sludge in accordance with 30 TAC Chapter 312 and all other applicable state and federal regulations in a manner that protects public health and the environment from any reasonably anticipated adverse effects due to any toxic pollutants that may be present in the sludge.

2. Sludge may only be transported using a registered transporter or using an approved pipeline.

B. Record Keeping Requirements

1. For sludge transported by an approved pipeline, the permittee must maintain records of the following:

   a. the amount of sludge transported;

   b. the date of transport;

   c. the name and TCEQ permit number of the receiving facility or facilities;

   d. the location of the receiving facility or facilities;

   e. the name and TCEQ permit number of the facility that generated the waste; and

   f. copy of the written agreement between the permittee and the receiving facility to accept sludge.

2. For sludge transported by a registered transporter, the permittee must maintain records of the completed trip tickets in accordance with 30 TAC § 312.145(a)(1)-(7) and amount of sludge transported.

3. The above records shall be maintained on-site on a monthly basis and shall be made available to the TCEQ upon request. These records shall be retained for at least five years.

C. Reporting Requirements

The permittee shall report the following information annually to the TCEQ Regional Office (MC Region 12) and Compliance Monitoring Team (MC 224) of the Enforcement Division, by September 30th of each year. Effective September 1, 2020, the permittee must submit this annual report using the online electronic reporting system available through the TCEQ website unless the permittee requests and obtains an electronic reporting waiver.

1. Identify in the following categories (as applicable) the sewage sludge treatment process or processes at the facility: preliminary operations (*e.g.*, sludge grinding and degritting), thickening (concentration), stabilization, anaerobic digestion, aerobic digestion, composting, conditioning, disinfection (*e.g.*, beta ray irradiation, gamma ray irradiation, pasteurization), dewatering (*e.g.*, centrifugation, sludge drying beds, sludge lagoons), heat drying, thermal reduction, and methane or biogas capture and recovery.

2. the annual sludge production;

3. the amount of sludge transported;

4. the owner of each receiving facility;

5. the location of each receiving facility; and

6. the date(s) of disposal at each receiving facility.

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OTHER REQUIREMENTS

1. The permittee shall employ or contract with one or more licensed wastewater treatment facility operators or wastewater system operations companies holding a valid license or registration according to the requirements of 30 TAC Chapter 30, Occupational Licenses and Registrations, and in particular 30 TAC Chapter 30, Subchapter J, Wastewater Operators and Operations Companies.

   This Category C facility must be operated by a chief operator or an operator holding a Category C license or higher. The facility must be operated a minimum of five days per week by the licensed chief operator or an operator holding the required level of license or higher. The licensed chief operator or operator holding the required level of license or higher must be available by telephone or pager seven days per week. Where shift operation of the wastewater treatment facility is necessary, each shift which does not have the on-site supervision of the licensed chief operator must be supervised by an operator in charge who is licensed not less than one level below the category for the facility.

2. The facility is not located in the Coastal Management Program boundary.

3. The permittee shall comply with the requirements of 30 TAC § 309.13(a) through (d). In addition, by ownership of the required buffer zone area, the permittee shall comply with the requirements of 30 TAC § 309.13(e).

4. The permittee shall provide facilities for the protection of its wastewater treatment facility from a 100-year flood.

5. The permittee shall comply with 30 TAC § 311.36, which requires the permittees of all domestic wastewater treatment facilities discharging into the Lake Houston Watershed to install dual-feed chlorination systems capable of automatically changing from one cylinder to another if gaseous chlorination is used for disinfection.

6. Prior to construction of the Interim II phase (0.4 MGD) and the Final phase (0.6 MGD) treatment facilities, the permittee shall submit to the TCEQ Wastewater Permitting Section (MC 148) a summary transmittal letter in accordance with the requirements in 30 TAC § 217.6(d). If requested by the Wastewater Permitting Section, the permittee shall submit plans, specifications, and a final engineering design report which comply with 30 TAC Chapter 217, Design Criteria for Domestic Wastewater Systems. The permittee shall clearly show how the treatment system will meet the effluent limitations required on Page 2a and Page 2b of this permit. A copy of the summary transmittal letter shall be available at the plant site for inspection by authorized representatives of the TCEQ.

7. The permittee shall notify the TCEQ Regional Office (MC Region 12) and the Applications Review and Processing Team (MC 148) of the Water Quality Division, in writing at least forty-five (45) days prior to the completion of the Interim II phase (0.4 MGD) and the Final phase (0.6 MGD) treatment facilities on Notification of Completion Form 20007.

8. In accordance with 30 TAC § 319.9, a permittee that has at least twelve months of uninterrupted compliance with its bacteria limit may notify the commission in writing of its compliance and request a less frequent measurement schedule. To request a less frequent schedule, the permittee shall submit a written request to the TCEQ Wastewater Permitting Section (MC 148) for each phase that includes a different monitoring frequency. The request must contain all of the reported bacteria values (Daily Avg. and Daily Max/Single Grab) for the twelve consecutive months immediately prior to the request. If the Executive Director finds that a less frequent measurement schedule is protective of human health and the environment, the permittee may be given a less frequent measurement schedule. For this permit, 1/month may be reduced to 1/quarter in the Interim I phase and Interim II phase and 2/month may be reduced to 1/month in the Final phase. **A violation of any bacteria limit by a facility that has been granted a less frequent measurement schedule will require the permittee to return to the standard frequency schedule and submit written notice to the TCEQ Wastewater Permitting Section (MC 148).** The permittee may not apply for another reduction in measurement frequency for at least 24 months from the date of the last violation. The Executive Director may establish a more frequent measurement schedule if necessary to protect human health or the environment.

CONTRIBUTING INDUSTRIES AND PRETREATMENT REQUIREMENTS

1. The following pollutants may not be introduced into the treatment facility:

   a. Pollutants which create a fire or explosion hazard in the publicly owned treatment works (POTW), including, but not limited to, waste streams with a closed-cup flash point of less than 140° Fahrenheit (60° Celsius) using the test methods specified in 40 CFR § 261.21;

   b. Pollutants which will cause corrosive structural damage to the POTW, but in no case shall there be discharges with a pH lower than 5.0 standard units, unless the works are specifically designed to accommodate such discharges;

   c. Solid or viscous pollutants in amounts which will cause obstruction to the flow in the POTW, resulting in Interference;

   d. Any pollutant, including oxygen-demanding pollutants (e.g., biological oxygen demand or BOD), released in a discharge at a flow rate and/or pollutant concentration which will cause Interference with the POTW;

   e. Heat in amounts which will inhibit biological activity in the POTW, resulting in Interference, but in no case shall there be heat in such quantities that the temperature at the POTW treatment plant exceeds 104° Fahrenheit (40° Celsius) unless the Executive Director, upon request of the POTW, approves alternate temperature limits;

   f. Petroleum oil, nonbiodegradable cutting oil, or products of mineral oil origin in amounts that will cause Interference or Pass Through;

   g. Pollutants which result in the presence of toxic gases, vapors, or fumes within the POTW in a quantity that may cause acute worker health and safety problems; and

   h. Any trucked or hauled pollutants except at discharge points designated by the POTW.

2. The permittee shall require any indirect discharger to the treatment works to comply with the reporting requirements of Sections 204(b), 307, and 308 of the Clean Water Act, including any requirements established under 40 CFR Part 403 *[rev. Federal Register/ Vol. 70/ No. 198/ Friday, October 14, 2005/ Rules and Regulations, pages 60134-60798].*

3. The permittee shall provide adequate notification to the Executive Director, care of the Wastewater Permitting Section (MC 148) of the Water Quality Division, within 30 days subsequent to the permittee's knowledge of either of the following:

   a. Any new introduction of pollutants into the treatment works from an indirect discharger which would be subject to Sections 301 and 306 of the Clean Water Act if it were directly discharging those pollutants; and

   b. Any substantial change in the volume or character of pollutants being introduced into the treatment works by a source introducing pollutants into the treatment works at the time of issuance of the permit.

   Any notice shall include information on the quality and quantity of effluent to be introduced into the treatment works and any anticipated impact of the change on the quality or quantity of effluent to be discharged from the POTW.