

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1**

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2023

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AND IMPROVEMENT DISTRICT NO. 1**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Water Control
and Improvement District No. 1
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Water Control and Improvement District No. 1 (the "District") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Board of Directors
Montgomery County Water Control
and Improvement District No. 1

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 20, 2024

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Management’s discussion and analysis of Montgomery County Water Control and Improvement District No. 1’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$7,296,537 as of September 30, 2023.

A portion of the District’s net position reflects its net investment in capital assets (water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

The following is a comparative analysis of government-wide changes in net position:

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 11,250,720	\$ 4,779,256	\$ 6,471,464
Capital Assets (Net of Accumulated Depreciation)	<u>24,286,477</u>	<u>24,849,909</u>	<u>(563,432)</u>
Total Assets	<u>\$ 35,537,197</u>	<u>\$ 29,629,165</u>	<u>\$ 5,908,032</u>
Deferred Outflows of Resources	<u>\$ 543,089</u>	<u>\$ 610,011</u>	<u>\$ (66,922)</u>
Due to Developer	\$ 4,438,291	\$ 4,887,483	\$ 449,192
Bonds Payable	23,779,862	18,878,760	(4,901,102)
Other Liabilities	<u>565,596</u>	<u>514,873</u>	<u>(50,723)</u>
Total Liabilities	<u>\$ 28,783,749</u>	<u>\$ 24,281,116</u>	<u>\$ (4,502,633)</u>
Net Position:			
Net Investment in Capital Assets	\$ 97,809	\$ 1,596,641	\$ (1,498,832)
Restricted	829,447	717,214	112,233
Unrestricted	<u>6,369,281</u>	<u>3,644,205</u>	<u>2,725,076</u>
Total Net Position	<u>\$ 7,296,537</u>	<u>\$ 5,958,060</u>	<u>\$ 1,338,477</u>

The following table provides a summary of the District's operations for the years ended September 30, 2023, and September 30, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,831,644	\$ 3,033,315	\$ 798,329
Charges for Services	2,905,460	2,491,655	413,805
Other Revenues	<u>653,933</u>	<u>229,574</u>	<u>424,359</u>
Total Revenues	<u>\$ 7,391,037</u>	<u>\$ 5,754,544</u>	<u>\$ 1,636,493</u>
Expenses for Services	<u>6,052,560</u>	<u>5,231,975</u>	<u>(820,585)</u>
Change in Net Position	\$ 1,338,477	\$ 522,569	\$ 815,908
Net Position, Beginning of Year	<u>5,958,060</u>	<u>5,435,491</u>	<u>522,569</u>
Net Position, End of Year	<u>\$ 7,296,537</u>	<u>\$ 5,958,060</u>	<u>\$ 1,338,477</u>

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Property tax revenues in the current fiscal year totaled \$3,831,644. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2022 tax year (September 30, 2023 fiscal year) were based upon a current assessed value of \$535,626,844 and a tax rate of \$0.7165 per \$100 of assessed valuation. Property taxes levied for the 2021 tax year (September 30, 2022 fiscal year) were based upon an adjusted assessed value of \$406,380,967 and a tax rate of \$0.7476 per \$100 of assessed valuation.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's combined fund balances as of the fiscal year ended September 30, 2023, were \$10,739,856, an increase of \$6,436,742 from the prior year.

The General Fund fund balance increased by \$2,718,982, primarily due to service revenues, property tax revenues and transfers in exceeding service expenses and capital outlay.

The Debt Service Fund fund balance increased by \$125,768, due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance increased by \$3,591,992, primarily due to the issuance of Series 2022 Bonds during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$1,769,871 more than budgeted, actual expenditures were \$939,964 more than budgeted, and unbudgeted transfers were \$1,889,075 which resulted in a positive variance of \$2,718,982. See the budget to actual for more information.

CAPITAL ASSETS

Capital assets as of September 30, 2023, total \$24,286,477 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems. Significant capital asset activity during the current fiscal year includes the lift station no. 3 relocation.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			Change Positive (Negative)
	2023	2022	
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,040,485	\$ 2,040,485	\$
Construction in Progress	276,704	9,484	267,220
Capital Assets, Net of Accumulated Depreciation:			
Water System	4,400,799	4,668,603	(267,804)
Wastewater System	13,251,571	13,682,736	(431,165)
Drainage	4,040,914	4,149,525	(108,611)
Buildings, Equipment and Improvements	276,004	299,076	(23,072)
Total Net Capital Assets	\$ 24,286,477	\$ 24,849,909	\$ (563,432)

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$23,969,997. The changes in the debt position of the District during the fiscal year ended September 30, 2023, are summarized as follows:

Bond Debt Payable, October 1, 2022	\$ 19,039,997
Add: Bond Sale	5,740,000
Less: Bond Principal Paid	810,000
Bond Debt Payable, September 30, 2023	\$ 23,969,997

The District’s bonds carry an underlying rating of “A3” from Moody’s. The District’s Series 2016 Refunding bonds carry an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal Corp. and the Series 2017 bonds, Series 2021 Refunding bonds, Series 2021 bonds, and the Series 2022 bonds carry an insured rating of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Water Control and Improvement District No. 1, Michael A. Cole, P.C., 5120 Bayard Lane, Houston, Texas 77006.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2023**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,274,883	\$ 40,657
Investments	4,946,396	971,096
Receivables:		
Property Taxes	49,470	41,025
Penalty and Interest on Delinquent Taxes		
Service Accounts	281,088	
Other	36,665	
Due from Other Funds	87,575	
Prepaid Costs		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 6,676,077	\$ 1,052,778
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,676,077	\$ 1,052,778

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 10,010	\$ 1,325,550	\$	\$ 1,325,550
3,520,128	9,437,620		9,437,620
	90,495		90,495
		45,031	45,031
	281,088		281,088
	36,665		36,665
115,448	203,023	(203,023)	
		34,271	34,271
		2,040,485	2,040,485
		276,704	276,704
		<u>21,969,288</u>	<u>21,969,288</u>
<u>\$ 3,645,586</u>	<u>\$ 11,374,441</u>	<u>\$ 24,162,756</u>	<u>\$ 35,537,197</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 543,089</u>	<u>\$ 543,089</u>
<u>\$ 3,645,586</u>	<u>\$ 11,374,441</u>	<u>\$ 24,705,845</u>	<u>\$ 36,080,286</u>

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2023**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 153,373	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		203,023
Due to Voluntary Services	2,952	
Security Deposits	184,742	
Long-Term Liabilities:		
Compound Interest Bonds Interest Payable		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 341,067	\$ 203,023
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 49,470	\$ 41,025
 FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		808,730
Unassigned	6,285,540	
TOTAL FUND BALANCES	\$ 6,285,540	\$ 808,730
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,676,077	\$ 1,052,778
 NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 153,373	\$	\$ 153,373
		65,339	65,339
		4,438,291	4,438,291
	203,023	(203,023)	
	2,952		2,952
	184,742		184,742
		159,190	159,190
		830,000	830,000
		22,949,862	22,949,862
<u>\$ -0-</u>	<u>\$ 544,090</u>	<u>\$ 28,239,659</u>	<u>\$ 28,783,749</u>
<u>\$ -0-</u>	<u>\$ 90,495</u>	<u>\$ (90,495)</u>	<u>\$ -0-</u>
\$ 3,645,586	\$ 3,645,586	\$ (3,645,586)	\$
	808,730	(808,730)	
	6,285,540	(6,285,540)	
<u>\$ 3,645,586</u>	<u>\$ 10,739,856</u>	<u>\$ (10,739,856)</u>	<u>\$ -0-</u>
<u>\$ 3,645,586</u>	<u>\$ 11,374,441</u>		
		\$ 97,809	\$ 97,809
		829,447	829,447
		6,369,281	6,369,281
		<u>\$ 7,296,537</u>	<u>\$ 7,296,537</u>

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

Total Fund Balances - Governmental Funds \$ 10,739,856

Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance in governmental activities is not a current financial resource and, therefore, is not reported as an asset in the governmental funds. 34,271

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 543,089

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 24,286,477

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District. 135,526

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (4,438,291)	
Compound Interest Bonds Interest Payable	(159,190)	
Accrued Interest Payable	(65,339)	
Bonds Payable	<u>(23,779,862)</u>	<u>(28,442,682)</u>
Total Net Position - Governmental Activities		<u>\$ 7,296,537</u>

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

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**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 2,218,177	\$ 1,597,686
Water Service	738,906	
Wastewater Service	1,198,198	
Surface Water Revenue	529,563	
Penalty and Interest	28,056	43,180
Sales Tax Revenue	138,349	
Reconnection Fees	2,850	
Tap Connection and Inspection Fees	360,141	
Investment and Miscellaneous Revenues	225,831	109,738
TOTAL REVENUES	\$ 5,440,071	\$ 1,750,604
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 848,805	\$
Professional Fees	416,681	17,502
Contracted Services	338,203	47,636
Utilities	195,971	
Surface Water Fees	496,298	
Repairs and Maintenance	652,850	
Depreciation		
Other	762,074	10,436
Capital Outlay	899,282	
Debt Service:		
Bond Issuance Costs		
Bond Principal		810,000
Bond Interest		739,262
TOTAL EXPENDITURES/EXPENSES	\$ 4,610,164	\$ 1,624,836
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 829,907	\$ 125,768
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 1,889,075	\$
Bond Proceeds		
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 1,889,075	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 2,718,982	\$ 125,768
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2022	3,566,558	682,962
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2023	\$ 6,285,540	\$ 808,730

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,815,863	\$ 15,781	\$ 3,831,644
	738,906		738,906
	1,198,198		1,198,198
	529,563		529,563
	71,236	4,566	75,802
	138,349		138,349
	2,850		2,850
	360,141		360,141
<u>180,015</u>	<u>515,584</u>		<u>515,584</u>
<u>\$ 180,015</u>	<u>\$ 7,370,690</u>	<u>\$ 20,347</u>	<u>\$ 7,391,037</u>
\$	\$ 848,805	\$	\$ 848,805
	434,183		434,183
	385,839		385,839
	195,971		195,971
	496,298		496,298
	652,850		652,850
		1,013,522	1,013,522
	772,510		772,510
	899,282	(899,282)	
400,295	400,295		400,295
	810,000	(810,000)	
	<u>739,262</u>	<u>113,025</u>	<u>852,287</u>
<u>\$ 400,295</u>	<u>\$ 6,635,295</u>	<u>\$ (582,735)</u>	<u>\$ 6,052,560</u>
<u>\$ (220,280)</u>	<u>\$ 735,395</u>	<u>\$ 603,082</u>	<u>\$ 1,338,477</u>
\$ (1,889,075)	\$	\$	\$
5,740,000	5,740,000	(5,740,000)	
(268,737)	(268,737)	268,737	
<u>230,084</u>	<u>230,084</u>	<u>(230,084)</u>	
<u>\$ 3,812,272</u>	<u>\$ 5,701,347</u>	<u>\$ (5,701,347)</u>	<u>\$ -0-</u>
\$ 3,591,992	\$ 6,436,742	\$ (6,436,742)	\$
		1,338,477	1,338,477
<u>53,594</u>	<u>4,303,114</u>	<u>1,654,946</u>	<u>5,958,060</u>
<u>\$ 3,645,586</u>	<u>\$ 10,739,856</u>	<u>\$ (3,443,319)</u>	<u>\$ 7,296,537</u>

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net Change in Fund Balances - Governmental Funds	\$	6,436,742
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		15,781
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		4,566
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(1,013,522)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		899,282
Governmental funds report bond premiums and bond discounts as other financing sources and uses in the year paid. However, in the Statement of Net Position, the bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		38,653
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		810,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(113,025)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(5,740,000)
Change in Net Position - Governmental Activities	\$	<u>1,338,477</u>

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 1. CREATION OF DISTRICT

Montgomery County Water Control and Improvement District No. 1 (the “District”) was created by Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the “Commission”), effective June 15, 1964, in accordance with the Texas Water Code, Chapter 51. On September 11, 1978, the District converted into a municipal utility district by order of the Texas Water Commission in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General Fund - To account for resources for customer service revenues, costs and general expenditures. The General Fund also includes the revenue for maintenance and operations ad valorem taxes and the cost of assessing and collecting taxes.

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2023, the Debt Service Fund owed the General Fund \$87,575 for maintenance tax collections. The Debt Service Fund owed the Capital Projects Fund \$115,448 for bond issuance costs associated with the Series 2021 Bonds. During the current fiscal year, the Capital Projects Fund transferred \$1,889,075 to the General Fund to reimburse capital and bond issuance costs.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Furniture and Equipment	3-20

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only. A pension plan has not been established for the directors. The District does have employees for which a retirement plan was established (see Note 8).

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Refunding Series 2016	Series 2017	Series 2021
Amount Outstanding – September 30, 2023	\$ 7,505,000	\$ 4,790,000	\$ 3,635,000
Interest Rates	2.00% - 3.00%	3.00% - 5.00%	2.00% - 2.125%
Maturity Dates – Serially Beginning/Ending	March 1, 2024/2036	March 1, 2024/2040	March 1, 2024/2042
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2024*	March 1, 2024*	September 1, 2028*

* Or any date thereafter in such order as the District may determine, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2017 term bonds maturing on March 1, 2032 and March 1, 2037 are subject to mandatory redemption beginning March 1, 2028 and March 1, 2033, respectively. Series 2021 term bonds maturing on March 1, 2029, March 1, 2034, and March 1, 2041 are subject to mandatory redemption beginning March 1, 2028, March 1, 2030, and March 1, 2035, respectively

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2021		Series 2022
	Current Interest Bonds	Compound Interest Bonds	
Amount Outstanding – September 30, 2023	\$ 2,045,000	\$ 304,997	\$ 5,690,000
Interest Rates	2.00% - 3.00%	1.87%	4.00% - 25.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2024/2036	March 1, 2035	March 1, 2024/2045
Interest Payment Dates	March 1/ September 1	At Maturity	March 1/ September 1
Callable Dates	March 1, 2026*	Non-Callable**	September 1, 2028*

* Or any date thereafter in such order as the District may determine, callable at par plus unpaid accrued interest in whole or in part at the option of the District. . Series 2021 Refunding term bonds maturing on March 1, 2031 and March 1, 2034 are subject to mandatory redemption beginning March 1, 2029 and March 1, 2032, respectively. Series 2022 term bonds maturing on March 1, 2030, March 1, 2032, March 1, 2036 and March 1, 2042 are subject to mandatory redemption beginning March 1, 2029, March 1, 2031, March 1, 2033 and March 1, 2037, respectively.

** The Refunding Series 2021 Compound Interest Bonds (CIBs) are non-callable. The par value of the outstanding CIBs is \$304,997 and the maturity value is \$575,000. Interest will be paid at maturity. Accrued interest of \$159,190 has been recorded as a liability in the Statement of Net Position.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2023:

	October 1, 2022	Additions	Retirements	September 30, 2023
Bonds Payable	\$ 19,039,997	\$ 5,740,000	\$ 810,000	\$ 23,969,997
Unamortized Discount	(230,969)	(268,737)	(24,572)	(475,134)
Unamortized Premium	69,732	230,084	14,817	284,999
Bonds Payable, Net	<u>\$ 18,878,760</u>	<u>\$ 5,701,347</u>	<u>\$ 800,245</u>	<u>\$ 23,779,862</u>
		Amount Due Within One Year		\$ 830,000
		Amount Due After One Year		<u>22,949,862</u>
		Bonds Payable, Net		<u>\$ 23,779,862</u>

On November 2, 2021, voters of the District approved the issuance of \$25,810,000 of tax bonds for utility facilities and \$2,000,000 of refunding bonds. As of September 30, 2023, none of these authorized bonds have been issued.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 3. LONG-TERM DEBT (Continued)

As of September 30, 2023, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 830,000	\$ 770,193	\$ 1,600,193
2025	850,000	738,867	1,588,867
2026	870,000	706,643	1,576,643
2027	890,000	673,886	1,563,886
2028	910,000	639,543	1,549,543
2029-2033	4,930,000	2,757,072	7,687,072
2034-2038	5,319,997	2,333,253	7,653,250
2039-2043	6,465,000	1,175,823	7,640,823
2044-2045	2,905,000	121,753	3,026,753
	<u>\$ 23,969,997</u>	<u>\$ 9,917,033</u>	<u>\$ 33,887,030</u>

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

For the year ended September 30, 2023, the District levied an ad valorem debt service tax at the rate of \$0.30 per \$100 of assessed valuation, which resulted in a tax levy of \$1,607,237 on the adjusted taxable valuation of \$535,626,844 for the 2022 tax year. The bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

All property values and exempt status, if any, are determined by the 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 levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

The bond resolutions state that all investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the monies for such investments were taken; provided, however, at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund. In accordance with this provision, the earnings in each fund have been retained by the fund making the investment.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS
(Continued)

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$1,325,550 and the bank balance was \$1,365,705. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2023, as listed below:

	Cash
GENERAL FUND	\$ 1,274,883
DEBT SERVICE FUND	40,657
CAPITAL PROJECTS FUND	10,010
TOTAL DEPOSITS	\$ 1,325,550

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. As of September 30, 2023, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$4,946,396	\$ 4,946,396
<u>DEBT SERVICE FUND</u>		
TexPool	971,096	971,096
<u>CAPITAL PROJECTS FUND</u>		
TexPool	3,520,128	3,520,128
TOTAL INVESTMENTS	\$9,437,620	\$ 9,437,620

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2023, the District's investment in TexPool was rated AAAm by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023:

	October 1, 2022	Increases	Decreases	September 30, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,040,485	\$	\$	\$ 2,040,485
Construction in Progress	9,484	450,090	182,870	276,704
Total Capital Assets Not Being Depreciated	\$ 2,049,969	\$ 450,090	\$ 182,870	\$ 2,317,189
Capital Assets Subject to Depreciation				
Water System	\$ 11,607,506	\$	\$	\$ 11,607,506
Wastewater System	20,303,407	182,870		20,486,277
Drainage	4,887,483			4,887,483
Buildings, Equipment and Improvements	663,469			663,469
Total Capital Assets Subject to Depreciation	\$ 37,461,865	\$ 182,870	\$ - 0 -	\$ 37,644,735
Less Accumulated Depreciation				
Water System	\$ 6,938,903	\$ 267,804	\$	\$ 7,206,707
Wastewater System	6,620,671	614,035		7,234,706
Drainage	737,958	108,611		846,569
Buildings, Equipment and Improvements	364,393	23,072		387,465
Total Accumulated Depreciation	\$ 14,661,925	\$ 1,013,522	\$ - 0 -	\$ 15,675,447
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 22,799,940	\$ (830,652)	\$ - 0 -	\$ 21,969,288
Total Capital Assets, Net of Accumulated Depreciation	\$ 24,849,909	\$ (380,562)	\$ 182,870	\$ 24,286,477

NOTE 7. MAINTENANCE TAX

On August 8, 1992, the voters of the District approved the levy and collection of an unlimited maintenance tax assessed valuation of taxable property within the District. For the year ended September 30, 2023, the District levied an ad valorem maintenance tax rate of \$0.4165 per \$100 of assessed valuation, which resulted in a tax levy of \$2,231,381 on the adjusted taxable valuation of \$535,626,844 for the 2022 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating and maintaining the District's waterworks and sanitary sewer system.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 8. PENSION PLAN

Effective June 1, 1997, the District adopted a simplified employee pension plan, which benefits all of the District's employees. During the current fiscal year, the District contributed \$50,269 to the plan, which was based on 10 percent of employee's salaries.

NOTE 9. RECREATIONAL FACILITIES

On March 30, 1981, the District entered into a recreational facilities lease contract with Timber Lakes/Timber Ridge Association, Inc. (the "Association"). Under the terms of the contract, the District has the right to use the Association's facilities for the benefit and enjoyment of the residents of Timber Lakes and Timber Ridge and, in turn, is required to pay all expenses associated with the operations of the facilities, including premiums on liability insurance. On March 18, 1991, the Association transferred the property and any improvements to the District. During the current fiscal year, the District incurred operating expenditures of \$222,030 related to the recreational facilities.

NOTE 10. LONE STAR GROUNDWATER CONSERVATION DISTRICT

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"). The Conservation District was created under Article 16, Section 59 of the Texas Constitution by House Bill 2362 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Conservation District was created to conserve, protect, and enhance the groundwater resources of Montgomery County, Texas.

A nine-member board of directors governs the Conservation District. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 36.055 of the Water Code.

The Conservation District charges a fee, currently \$0.085 per 1,000 gallons, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Conservation District, unless exempted. This fee enables the Conservation District to fulfill its purpose and regulatory functions.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 11. SAN JACINTO RIVER AUTHORITY

On June 28, 2010, the District entered into the Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the “Authority”). The District and the Authority operate within the boundaries of Lone Star Groundwater Conservation District (the “Conservation District”). See Note 10. The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. A surface water treatment and transmission system (the “Project”) is proposed to be designed, constructed, operated, and maintained by the Authority in order to provide phased treatment, transmission, and delivery of the Authority’s surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater.

The Authority will develop a Groundwater Reduction Plan (the “GRP”) for all participants. The Authority charges a fee, currently \$2.99 and \$3.41 per 1,000 gallons, based on the amount of groundwater and surface water used, respectively. This fee enables the Authority to achieve, maintain and implement the GRP. The term of this contract expires on December 31, 2045. During the current fiscal year, the District recorded an expenditure of \$496,298 in relation to this contract.

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, boiler and machinery, general liability, auto liability, errors and omission and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective November 2, 2015, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas (the “City”). The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Subject Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

Upon annexation, the City began imposing a Sales and Use Tax within the boundaries of the Subject Tract on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract within 30 days of the City receiving the funds from the State Comptroller's office. During the current fiscal year, the District recorded \$138,349 of sales tax revenue from the City of Houston with \$28,596 being recorded as a receivable at year-end.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

NOTE 14. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with Developers within the District which for the Developers to make payments on behalf of the District for various projects and operating advances. As of September 30, 2023, \$4,438,291 has been recorded as a liability in the Statement of Net Position. The \$4,438,291 are drainage expenses and will not be paid from bonds but under the formula agreed to in the agreement from excess operating and maintenance tax revenues generated by the taxable real property and improvements specific to the service area developed.

NOTE 15. BOND SALE

On November 8, 2022, the District closed on the sale of its \$5,740,000 Series 2022 Unlimited Tax Bonds. Proceeds were used to finance the cost of the following: relocation of lift station no. 3; purchase of water plant no. 3 and lift station no. 3 sites; phase 2 of the water distribution rehabilitation program; and the remaining balance of phase 1 of the rehabilitation program. Proceeds were also used to pay certain issuance costs of the bonds.

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**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1**

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2023

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,600,000	\$ 2,218,177	\$ 618,177
Water Service	550,000	738,906	188,906
Wastewater Service	950,000	1,198,198	248,198
Surface Water Revenue	400,000	529,563	129,563
Penalty and Interest	24,000	28,056	4,056
Sales Tax Revenue	20,000	138,349	118,349
Reconnection Fees	3,500	2,850	(650)
Tap Connection and Inspection Fees	11,000	360,141	349,141
Investment and Miscellaneous Revenues	<u>111,700</u>	<u>225,831</u>	<u>114,131</u>
TOTAL REVENUES	<u>\$ 3,670,200</u>	<u>\$ 5,440,071</u>	<u>\$ 1,769,871</u>
EXPENDITURES			
Service Operations:			
Personnel	\$ 923,000	\$ 848,805	\$ 74,195
Professional Fees	282,000	416,681	(134,681)
Contracted Services	335,000	338,203	(3,203)
Utilities	190,000	195,971	(5,971)
Surface Water Fees	500,000	496,298	3,702
Repairs and Maintenance	319,500	652,850	(333,350)
Other	961,000	762,074	198,926
Capital Outlay	<u>159,700</u>	<u>899,282</u>	<u>(739,582)</u>
TOTAL EXPENDITURES	<u>\$ 3,670,200</u>	<u>\$ 4,610,164</u>	<u>\$ (939,964)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -0-</u>	<u>\$ 829,907</u>	<u>\$ 829,907</u>
OTHER FINANCING SOURCES(USES)			
Transfers In(Out)	<u>\$ -0-</u>	<u>\$ 1,889,075</u>	<u>\$ 1,889,075</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ 2,718,982	\$ 2,718,982
FUND BALANCE - OCTOBER 1, 2022	<u>3,566,558</u>	<u>3,566,558</u>	
FUND BALANCE - SEPTEMBER 30, 2023	<u>\$ 3,566,558</u>	<u>\$ 6,285,540</u>	<u>\$ 2,718,982</u>

See accompanying independent auditor's report.

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**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

SEPTEMBER 30, 2023

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective August 15, 2023.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>				
WATER:	\$ 16.83	6,000	N	\$ 2.78	6,001 to 10,000				
				\$ 2.88	10,001 to 19,000				
				\$ 2.98	19,001 to 29,000				
				\$ 3.08	29,001 to 39,000				
				\$ 3.58	39,001 to 49,000				
				\$ 4.08	49,001 to 59,000				
				\$ 4.33	59,001 to 69,000				
				\$ 4.58	69,001 to 79,000				
				\$ 4.83	79,001 to 89,000				
				\$ 5.08	89,001 and up				
WASTEWATER:	\$ 50.06	10,000	N	\$ 0.50	10,001 and over				
SURCHARGE:									
Commission				0.5% of water and wastewater charges					
Regulatory Assessments			N						
Water Conservation									
District Fees			N	\$ 0.137	0,001 and up				
Groundwater Reduction			N	\$ 3.29	0,001 and up				
District employs winter averaging for wastewater usage?					<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">_____</td> <td style="width: 50%; text-align: center;">_____</td> </tr> <tr> <td style="text-align: center;">Yes</td> <td style="text-align: center;">No</td> </tr> </table>	_____	_____	Yes	No
_____	_____								
Yes	No								

Total monthly charges per 10,000 gallons usage: Water: \$27.95 Wastewater: \$50.06 Surcharge: \$34.65 Total: \$112.66

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	<u>7</u>	<u>7</u>	x 1.0	<u>7</u>
≤ ³ / ₄ "	<u>1,235</u>	<u>1,131</u>	x 1.0	<u>1,131</u>
1"	<u>8</u>	<u>8</u>	x 2.5	<u>20</u>
1½"	<u>5</u>	<u>5</u>	x 5.0	<u>25</u>
2"	<u>7</u>	<u>7</u>	x 8.0	<u>56</u>
3"	<u>2</u>	<u>2</u>	x 15.0	<u>30</u>
4"			x 25.0	
6"	<u>5</u>	<u>5</u>	x 50.0	<u>250</u>
8"	<u>6</u>	<u>6</u>	x 80.0	<u>480</u>
10"	<u>2</u>	<u>2</u>	x 115.0	<u>230</u>
Total Water Connections	<u><u>1,277</u></u>	<u><u>1,173</u></u>		<u><u>2,229</u></u>
Total Wastewater Connections	<u><u>1,174</u></u>	<u><u>1,150</u></u>	x 1.0	<u><u>1,150</u></u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	166,307,000	Water Accountability Ratio: 95.3% (Gallons billed/Gallons pumped)
Gallons billed to customers:	158,570,000	

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

PERSONNEL EXPENDITURES (Including Benefits)		\$ <u>848,805</u>
PROFESSIONAL FEES:		
Auditing		\$ 21,500
Engineering		326,229
Legal		<u>68,952</u>
TOTAL PROFESSIONAL FEES		<u>\$ 416,681</u>
CONTRACTED SERVICES:		
Bookkeeping		\$ 34,072
Solid Waste Disposal		<u>304,131</u>
TOTAL CONTRACTED SERVICES		<u>\$ 338,203</u>
UTILITIES:		
Electricity		\$ 170,141
Telephone		<u>25,830</u>
TOTAL UTILITIES		<u>\$ 195,971</u>
REPAIRS AND MAINTENANCE		<u>\$ 652,850</u>
ADMINISTRATIVE EXPENDITURES:		
Director Fees		\$ 13,916
Dues		4,899
Insurance		62,005
Office Supplies and Postage		29,267
Surface Water Fees		496,298
Travel and Meetings		13,928
Other		<u>65,385</u>
TOTAL ADMINISTRATIVE EXPENDITURES		<u>\$ 685,698</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

CAPITAL OUTLAY		\$ <u>899,282</u>
TAP CONNECTIONS		\$ <u>2,513</u>
OTHER EXPENDITURES:		
Chemicals		\$ 89,390
Computer Expense		198,909
Meter Expense		34,925
Fuel		22,133
Laboratory Fees		33,812
Permit Fees		26,601
Pool Management and Operations		69,781
Regulatory Assessment		8,964
Sludge Hauling		52,575
Uniforms		2,165
Other		<u>30,906</u>
TOTAL OTHER EXPENDITURES		\$ <u>570,161</u>
TOTAL EXPENDITURES		\$ <u><u>4,610,164</u></u>

Number of persons employed by the District 7 Full-Time 1 Part-Time

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
INVESTMENTS
SEPTEMBER 30, 2023**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 246,007	\$
TexPool	XXXX0004	Varies	Daily	587,077	
TexPool	XXXX0011	Varies	Daily	643,601	
TexPool	XXXX0012	Varies	Daily	<u>3,469,711</u>	<u> </u>
TOTAL GENERAL FUND				<u>\$ 4,946,396</u>	<u>\$ -0-</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	<u>\$ 971,096</u>	<u>\$ -0-</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 294,983	\$
TexPool	XXXX0013	Varies	Daily	<u>3,225,145</u>	<u> </u>
TOTAL CAPITAL PROJECTS FUND				<u>\$ 3,520,128</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 9,437,620</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2022	\$	40,377	\$	34,337
Adjustments to Beginning				
Balance		<u>(4,111)</u>		<u>(2,863)</u>
	\$	36,266	\$	31,474
Original 2022 Tax Levy	\$	2,145,255	\$	1,545,202
Adjustment to 2022 Tax Levy		<u>86,126</u>		<u>62,035</u>
		<u>2,231,381</u>		<u>1,607,237</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 2,267,647		\$ 1,638,711
TAX COLLECTIONS:				
Prior Years	\$	15,605	\$	11,199
Current Year		<u>2,202,572</u>		<u>1,586,487</u>
		<u>2,218,177</u>		<u>1,597,686</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2023		<u>\$ 49,470</u>		<u>\$ 41,025</u>
TAXES RECEIVABLE BY				
YEAR:				
2022	\$	28,809	\$	20,750
2021		9,060		6,418
2020		3,341		2,367
2019		1,302		975
2018		987		759
2017 and prior		<u>5,971</u>		<u>9,756</u>
TOTAL	\$	<u>49,470</u>	\$	<u>41,025</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
PROPERTY VALUATIONS:				
Land	\$ 56,987,080	\$ 46,213,030	\$ 48,153,890	\$ 47,144,570
Improvements	529,898,952	383,113,672	339,928,302	326,986,972
Personal Property Exemptions	16,662,190	12,676,921	12,521,128	14,078,693
	<u>(67,921,378)</u>	<u>(35,622,656)</u>	<u>(39,734,374)</u>	<u>(37,825,893)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 535,626,844</u>	<u>\$ 406,380,967</u>	<u>\$ 360,868,946</u>	<u>\$ 350,384,342</u>
TAX RATES PER \$100 VALUATION:				
Debt Service Tax	\$ 0.3000	\$ 0.3100	\$ 0.3100	\$ 0.3200
Maintenance Tax	<u>0.4165</u>	<u>0.4376</u>	<u>0.4376</u>	<u>0.4276</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.7165</u>	<u>\$ 0.7476</u>	<u>\$ 0.7476</u>	<u>\$ 0.7476</u>
ADJUSTED TAX LEVY*	<u>\$ 3,838,618</u>	<u>\$ 3,038,104</u>	<u>\$ 2,698,496</u>	<u>\$ 2,620,343</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.71 %</u>	<u>99.49 %</u>	<u>99.79 %</u>	<u>99.91 %</u>

* Based upon adjusted tax at time of audit for the period in which the tax was levied.

Maintenance Tax – Maximum tax rate in an unlimited amount per \$100 of assessed valuation approved by voters on August 8, 1992.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023**

SERIES - 2016 REFUNDING

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1/ September 1</u>	<u>Total</u>
2024	\$ 555,000	\$ 185,487	\$ 740,487
2025	570,000	174,238	744,238
2026	590,000	162,637	752,637
2027	605,000	149,931	754,931
2028	625,000	135,313	760,313
2029	650,000	119,375	769,375
2030	670,000	102,456	772,456
2031	695,000	84,106	779,106
2032	720,000	64,650	784,650
2033	745,000	43,575	788,575
2034	775,000	20,775	795,775
2035	305,000	4,575	309,575
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 7,505,000</u>	<u>\$ 1,247,118</u>	<u>\$ 8,752,118</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023**

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 45,000	\$ 156,988	\$ 201,988
2025	45,000	154,737	199,737
2026	40,000	152,613	192,613
2027	40,000	150,612	190,612
2028	40,000	149,013	189,013
2029	45,000	147,737	192,737
2030	45,000	146,388	191,388
2031	40,000	145,112	185,112
2032	40,000	143,913	183,913
2033	45,000	142,609	187,609
2034	40,000	141,281	181,281
2035	45,000	139,953	184,953
2036		139,250	139,250
2037	1,010,000	123,469	1,133,469
2038	1,050,000	90,625	1,140,625
2039	1,090,000	55,850	1,145,850
2040	1,130,000	19,069	1,149,069
2041			
2042			
2043			
2044			
2045			
	\$ 4,790,000	\$ 2,199,219	\$ 6,989,219

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023**

SERIES - 2021 REFUNDING

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1/ September 1</u>	<u>Total</u>
2024	\$ 110,000	\$ 42,550	\$ 152,550
2025	110,000	39,250	149,250
2026	110,000	35,950	145,950
2027	105,000	33,250	138,250
2028	105,000	31,150	136,150
2029	95,000	29,150	124,150
2030	100,000	27,200	127,200
2031	95,000	25,250	120,250
2032	95,000	23,350	118,350
2033	90,000	21,500	111,500
2034	90,000	19,700	109,700
2035	304,997	288,803	593,800
2036	940,000	9,400	949,400
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 2,349,997</u>	<u>\$ 626,503</u>	<u>\$ 2,976,500</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023**

S E R I E S - 2 0 2 1			
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 70,000	\$ 75,055	\$ 145,055
2025	70,000	73,655	143,655
2026	75,000	72,205	147,205
2027	85,000	70,605	155,605
2028	80,000	68,955	148,955
2029	80,000	67,355	147,355
2030	80,000	65,755	145,755
2031	85,000	64,105	149,105
2032	85,000	62,405	147,405
2033	85,000	60,705	145,705
2034	90,000	58,955	148,955
2035	90,000	57,110	147,110
2036	90,000	55,220	145,220
2037	45,000	53,803	98,803
2038	40,000	52,910	92,910
2039	35,000	52,122	87,122
2040	35,000	51,387	86,387
2041	1,195,000	38,473	1,233,473
2042	1,220,000	12,963	1,232,963
2043			
2044			
2045			
	\$ 3,635,000	\$ 1,113,743	\$ 4,748,743

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023**

S E R I E S - 2 0 2 2			
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 50,000	\$ 310,113	\$ 360,113
2025	55,000	296,987	351,987
2026	55,000	283,238	338,238
2027	55,000	269,488	324,488
2028	60,000	255,112	315,112
2029	65,000	244,363	309,363
2030	65,000	237,862	302,862
2031	70,000	232,863	302,863
2032	70,000	229,363	299,363
2033	75,000	225,925	300,925
2034	75,000	222,550	297,550
2035	75,000	219,175	294,175
2036	80,000	215,687	295,687
2037	85,000	211,975	296,975
2038	90,000	208,037	298,037
2039	95,000	203,875	298,875
2040	95,000	199,600	294,600
2041	100,000	195,212	295,212
2042	105,000	190,600	295,600
2043	1,365,000	156,672	1,521,672
2044	1,425,000	92,153	1,517,153
2045	<u>1,480,000</u>	<u>29,600</u>	<u>1,509,600</u>
	<u>\$ 5,690,000</u>	<u>\$ 4,730,450</u>	<u>\$ 10,420,450</u>

See accompanying independent auditor's report.

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**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023**

ANNUAL REQUIREMENTS
FOR ALL SERIES

<u>Due During Fiscal Years Ending September 30</u>	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total Principal Interest Due</u>
2024	\$ 830,000	\$ 770,193	\$ 1,600,193
2025	850,000	738,867	1,588,867
2026	870,000	706,643	1,576,643
2027	890,000	673,886	1,563,886
2028	910,000	639,543	1,549,543
2029	935,000	607,980	1,542,980
2030	960,000	579,661	1,539,661
2031	985,000	551,436	1,536,436
2032	1,010,000	523,681	1,533,681
2033	1,040,000	494,314	1,534,314
2034	1,070,000	463,261	1,533,261
2035	819,997	709,616	1,529,613
2036	1,110,000	419,557	1,529,557
2037	1,140,000	389,247	1,529,247
2038	1,180,000	351,572	1,531,572
2039	1,220,000	311,847	1,531,847
2040	1,260,000	270,056	1,530,056
2041	1,295,000	233,685	1,528,685
2042	1,325,000	203,563	1,528,563
2043	1,365,000	156,672	1,521,672
2044	1,425,000	92,153	1,517,153
2045	<u>1,480,000</u>	<u>29,600</u>	<u>1,509,600</u>
	<u>\$ 23,969,997</u>	<u>\$ 9,917,033</u>	<u>\$ 33,887,030</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2022
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Refunding Bonds - Series 2016	\$ 9,595,000	\$ 8,045,000
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Bonds - Series 2017	5,040,000	4,830,000
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Refunding Bonds - Series 2021	2,619,997	2,459,997
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Bonds - Series 2021	3,775,000	3,705,000
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Bonds - Series 2022	<u>5,740,000</u>	<u> </u>
TOTAL	<u><u>\$ 26,769,997</u></u>	<u><u>\$ 19,039,997</u></u>
Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding</u>
Amount Authorized by Voters	\$ 31,550,000	\$ 2,000,000
Amount Issued	<u>5,740,000</u>	<u> </u>
Remaining to be Issued	<u><u>\$ 25,810,000</u></u>	<u><u>\$ 2,000,000</u></u>

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2023</u>	
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 540,000	\$ 196,438	\$ 7,505,000	BOKF, N.A. Austin, TX
	40,000	159,112	4,790,000	BOKF, N.A. Austin, TX
	110,000	45,850	2,349,997	UMB Bank, N.A. Houston, TX
	70,000	76,455	3,635,000	UMB Bank, N.A. Houston, TX
<u>5,740,000</u>	<u>50,000</u>	<u>261,407</u>	<u>5,690,000</u>	UMB Bank, N.A. Houston, TX
<u>\$ 5,740,000</u>	<u>\$ 810,000</u>	<u>\$ 739,262</u>	<u>\$ 23,969,997</u>	

Debt Service Fund cash and investment balances as of September 30, 2023: \$ 1,011,753

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,540,320

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 2,218,177	\$ 1,782,398	\$ 1,576,331
Water Service	738,906	726,876	645,562
Wastewater Service	1,198,198	1,175,639	1,068,550
Surface Water Revenue	529,563	486,319	409,641
Penalty and Interest	28,056	30,694	28,302
Sales Tax Revenue	138,349	142,063	52,241
Reconnection Fees	2,850	4,350	5,469
Septic Service		8,738	64,057
Tap Connection and Inspection Fees	360,141	24,044	4,500
Investment and Miscellaneous Revenues	225,831	70,482	62,535
TOTAL REVENUES	\$ 5,440,071	\$ 4,451,603	\$ 3,917,188
EXPENDITURES			
Service Operations:			
Personnel	\$ 848,805	\$ 816,701	\$ 758,731
Professional Fees	416,681	330,051	221,448
Contracted Services	338,203	303,821	244,910
Utilities	195,971	175,068	191,874
Surface Water Fees	496,298	454,165	391,678
Repairs and Maintenance	652,850	512,720	622,468
Other	762,074	985,267	497,808
Capital Outlay	899,282	1,970,244	251,527
TOTAL EXPENDITURES	\$ 4,610,164	\$ 5,548,037	\$ 3,180,444
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 829,907	\$ (1,096,434)	\$ 736,744
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 1,889,075	\$ 239,766	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 2,718,982	\$ (856,668)	\$ 736,744
BEGINNING FUND BALANCE	3,566,558	4,423,226	3,686,482
ENDING FUND BALANCE	\$ 6,285,540	\$ 3,566,558	\$ 4,423,226

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 1,498,575	\$ 1,446,866	40.8 %	40.1 %	40.3 %	39.4 %	37.5 %
619,171	547,472	13.6	16.3	16.5	16.2	14.2
1,027,779	1,017,719	22.0	26.4	27.3	26.9	26.4
381,550	341,959	9.7	10.9	10.5	10.0	8.9
12,762	23,682	0.5	0.7	0.7	0.3	0.6
31,690	24,645	2.5	3.2	1.3	0.8	0.6
2,900	5,400	0.1	0.1	0.1	0.1	0.1
53,250	124,897		0.2	1.6	1.4	3.2
51,237	134,010	6.6	0.5	0.1	1.3	3.5
<u>138,002</u>	<u>194,216</u>	<u>4.2</u>	<u>1.6</u>	<u>1.6</u>	<u>3.6</u>	<u>5.0</u>
<u>\$ 3,816,916</u>	<u>\$ 3,860,866</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 711,641	\$ 676,360	15.6 %	18.3 %	19.4 %	18.6 %	17.5 %
168,928	204,723	7.7	7.4	5.7	4.4	5.3
265,081	227,109	6.2	6.8	6.3	6.9	5.9
159,717	170,106	3.6	3.9	4.9	4.2	4.4
408,831	361,103	9.1	10.2	10.0	10.7	9.4
922,453	800,380	12.0	11.5	15.9	24.2	20.7
551,948	378,599	14.0	22.1	12.7	14.5	9.8
<u>864,854</u>	<u>115,201</u>	<u>16.5</u>	<u>44.3</u>	<u>6.4</u>	<u>22.7</u>	<u>3.0</u>
<u>\$ 4,053,453</u>	<u>\$ 2,933,581</u>	<u>84.7 %</u>	<u>124.5 %</u>	<u>81.3 %</u>	<u>106.2 %</u>	<u>76.0 %</u>
<u>\$ (236,537)</u>	<u>\$ 927,285</u>	<u>15.3 %</u>	<u>(24.5) %</u>	<u>18.7 %</u>	<u>(6.2) %</u>	<u>24.0 %</u>
<u>\$ (111,124)</u>	<u>\$ - 0 -</u>					
\$ (347,661)	\$ 927,285					
<u>4,034,143</u>	<u>3,106,858</u>					
<u>\$ 3,686,482</u>	<u>\$ 4,034,143</u>					

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 1,597,686	\$ 1,265,460	\$ 1,118,005
Penalty and Interest	43,180	50,728	47,411
Investment and Miscellaneous Revenues	109,738	7,205	1,704
TOTAL REVENUES	\$ 1,750,604	\$ 1,323,393	\$ 1,167,120
EXPENDITURES			
Tax Collection Expenditures	\$ 74,574	\$ 73,096	\$ 77,993
Debt Service Principal	810,000	745,000	685,000
Debt Service Interest and Fees	740,262	490,263	414,411
Bond Issuance Costs			162,927
TOTAL EXPENDITURES	\$ 1,624,836	\$ 1,308,359	\$ 1,340,331
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 125,768	\$ 15,034	\$ (173,211)
OTHER FINANCING SOURCES (USES)			
Refunding Bond Proceeds	\$	\$	\$ 2,619,997
Transfer to Refund Bond Escrow Agent			(2,679,803)
Bond Discount			216,397
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ 156,591
NET CHANGE IN FUND BALANCE	\$ 125,768	\$ 15,034	\$ (16,620)
BEGINNING FUND BALANCE	682,962	667,928	684,548
ENDING FUND BALANCE	\$ 808,730	\$ 682,962	\$ 667,928
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,173	1,125	1,182
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,150	1,147	1,153

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2020</u>	<u>2019</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
\$ 1,122,530	\$ 1,114,059	91.2 %	95.7 %	95.8 %	94.3 %	95.2 %
54,940	32,295	2.5	3.8	4.1	4.6	2.8
13,619	23,787	6.3	0.5	0.1	1.1	2.0
<u>\$ 1,191,089</u>	<u>\$ 1,170,141</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 62,335	\$ 57,558	4.3 %	5.5 %	6.7 %	5.2 %	4.9 %
625,000	610,000	46.3	56.3	58.7	52.5	52.1
519,396	536,261	42.3	37.0	35.5	43.6	45.8
				14.0		
<u>\$ 1,206,731</u>	<u>\$ 1,203,819</u>	<u>92.9 %</u>	<u>98.8 %</u>	<u>114.9 %</u>	<u>101.3 %</u>	<u>102.8 %</u>
\$ (15,642)	\$ (33,678)	<u>7.1 %</u>	<u>1.2 %</u>	<u>(14.9) %</u>	<u>(1.3) %</u>	<u>(2.8) %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (15,642)	\$ (33,678)					
700,190	733,868					
<u>\$ 684,548</u>	<u>\$ 700,190</u>					
1,178	1,156					
<u>1,150</u>	<u>1,133</u>					

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2023**

District Mailing Address - Montgomery County Water Control and Improvement District No. 1
c/o Michael A. Cole, P.C.
5120 Bayard Lane
Houston, TX 77006

District Telephone Number - (713) 880-3800

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2023	Expense Reimbursements for the year ended September 30, 2023	Title
Christine Rife	11/20 05/24 (Elected)	\$ 2,950	\$ -0-	President
Nicole Garner	05/22 05/26 (Elected)	\$ 2,650	\$ -0-	Vice President
Nancy Loring	05/22 05/26 (Elected)	\$ 2,950	\$ -0-	Secretary
Jeffrey Crump	08/22 05/24 (Appointed)	\$ 2,950	\$ -0-	Assistant Secretary/ Treasurer
Ricky Hernandez	07/23 05/26 (Appointed)	\$ 200	\$ -0-	Director

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

Submission date of most recent District Registration Form: August 17, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2023**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2023</u>	<u>Title</u>
Roach & Associates, PLLC	05/16/23	\$ 28,604	General Counsel
Michael A. Cole, P.C.	03/30/83	\$ 41,898	Prior General Counsel
McCall Gibson Swedlund Barfoot PLLC	09/14/10	\$ 21,500 \$ 1,750	Audit Related Bond Related
Clarity Consulting Group	01/18/22	\$ 36,823	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	1986	\$ 17,502	Delinquent Tax Attorney
Baxter & Woodman	11/20/90	\$ 593,449	Engineer
Blicht Associates, Inc.	11/10/09	\$ -0-	Financial Advisor
Utility Tax Services	05/13/14	\$ 26,372	Tax Assessor/ Collector

See accompanying independent auditor's report.

