

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

**MONTGOMERY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2022**

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



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

**MONTGOMERY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2022**



## TABLE OF CONTENTS

|  | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT   | 1-3         |
| MANAGEMENT'S DISCUSSION AND ANALYSIS   | 4-8         |
| <br>   |             |
| BASIC FINANCIAL STATEMENTS   |             |
| STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET   | 9-12        |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE<br>STATEMENT OF NET POSITION   | 13          |
| STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF<br>REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES                             | 14-15       |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF<br>REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE<br>STATEMENT OF ACTIVITIES | 16          |
| NOTES TO THE FINANCIAL STATEMENTS  | 17-31       |
| <br>   |             |
| REQUIRED SUPPLEMENTARY INFORMATION   |             |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -<br>BUDGET AND ACTUAL - GENERAL FUND   | 33          |
| SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT<br>FINANCIAL MANAGEMENT GUIDE   |             |
| NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT<br>GUIDE (Included in the notes to the financial statements)                         |             |
| SERVICES AND RATES   | 35-37       |
| GENERAL FUND EXPENDITURES  | 38-39       |
| INVESTMENTS  | 40          |
| TAXES LEVIED AND RECEIVABLE  | 41-42       |
| LONG-TERM DEBT SERVICE REQUIREMENTS  | 43-47       |
| CHANGES IN LONG-TERM BOND DEBT   | 48-49       |
| COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL<br>FUND AND DEBT SERVICE FUND - FIVE YEARS   | 50-53       |
| BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS   | 54-55       |



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

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708

PO Box 29584  
Austin, TX 78755-5126  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

**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, 2022, 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, 2022, 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.



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

### **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*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

March 20, 2023



**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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, 2022. 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, 2022**

**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 \$5,958,060 as of September 30, 2022.

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, 2022**

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

|  | <u>Summary of Changes in the Statement of Net Position</u> |                             |                            |
|--|--|-----------------------------|----------------------------|
|  |  |                             | Change                     |
|  | 2022   | 2021                        | Positive<br>(Negative)     |
| Current and Other Assets                         | \$ 4,779,256   | \$ 5,936,218                | \$ (1,156,962)             |
| Capital Assets (Net of Accumulated Depreciation) | <u>24,849,909</u>  | <u>23,874,354</u>           | <u>975,555</u>             |
| Total Assets                                     | <u><u>\$ 29,629,165</u></u>                                | <u><u>\$ 29,810,572</u></u> | <u><u>\$ (181,407)</u></u> |
| Deferred Outflows of Resources                   | <u>610,011</u>   | <u>676,933</u>              | <u><u>\$ (66,922)</u></u>  |
| Due to Developer                                 | \$ 4,887,483   | \$ 4,887,483                | \$                         |
| Bonds Payable                                    | 18,878,760   | 19,615,550                  | 736,790                    |
| Other Liabilities                                | <u>514,873</u>   | <u>548,981</u>              | <u>34,108</u>              |
| Total Liabilities                                | <u><u>\$ 24,281,116</u></u>                                | <u><u>\$ 25,052,014</u></u> | <u><u>\$ 770,898</u></u>   |
| Net Position:                                    |  |                             |                            |
| Net Investment in Capital Assets                 | \$ 1,596,641   | \$ 198,316                  | \$ 1,398,325               |
| Restricted                                       | 717,214  | 726,570                     | (9,356)                    |
| Unrestricted                                     | <u>3,644,205</u>   | <u>4,510,605</u>            | <u>(866,400)</u>           |
| Total Net Position                               | <u><u>\$ 5,958,060</u></u>                                 | <u><u>\$ 5,435,491</u></u>  | <u><u>\$ 522,569</u></u>   |

The following table provides a summary of the District's operations for the years ended September 30, 2022, and September 30, 2021.

|                                 | <u>Summary of Changes in the Statement of Activities</u> |                            |                          |
|---------------------------------|--|----------------------------|--------------------------|
|                                 |  |                            | Change                   |
|                                 | 2022   | 2021                       | Positive<br>(Negative)   |
| Revenues:                       |  |                            |                          |
| Property Taxes                  | \$ 3,033,315   | \$ 2,686,681               | \$ 346,634               |
| Charges for Services            | 2,491,655  | 2,211,081                  | 280,574                  |
| Other Revenues                  | <u>229,574</u>   | <u>181,301</u>             | <u>48,273</u>            |
| Total Revenues                  | <u><u>\$ 5,754,544</u></u>                               | <u><u>\$ 5,079,063</u></u> | <u><u>\$ 675,481</u></u> |
| Expenses for Services           | <u>5,231,975</u>   | <u>5,103,735</u>           | <u>(128,240)</u>         |
| Change in Net Position          | \$ 522,569   | \$ (24,672)                | \$ 547,241               |
| Net Position, Beginning of Year | <u>5,435,491</u>   | <u>5,460,163</u>           | <u>(24,672)</u>          |
| Net Position, End of Year       | <u><u>\$ 5,958,060</u></u>                               | <u><u>\$ 5,435,491</u></u> | <u><u>\$ 522,569</u></u> |

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

Property tax revenues in the current fiscal year totaled \$3,033,315. 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 2021 tax year (September 30, 2022 fiscal year) were based upon a current assessed value of \$406,380,967 and a tax rate of \$0.7476 per \$100 of assessed valuation. Property taxes levied for the 2020 tax year (September 30, 2021 fiscal year) were based upon an adjusted assessed value of \$360,868,946 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, 2022, were \$4,303,114, a decrease of \$1,080,329 from the prior year.

The General Fund fund balance decreased by \$856,668, primarily due to service expenses and capital outlay exceeding service revenues, property tax revenues and transfers in.

The Debt Service Fund fund balance increased by \$15,034, due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$238,695, primarily due to transferring funds the General Fund for capital and bond issuance costs.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$1,041,403 more than budgeted, actual expenditures were \$2,137,837 more than budgeted, and unbudgeted transfers were \$239,766 which resulted in a negative variance of \$856,668. See the budget to actual for more information.

**CAPITAL ASSETS**

Capital assets as of September 30, 2022, total \$24,849,909 (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. 1 force main rehabilitation, waterline replacement, and land purchases.

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**CAPITAL ASSETS (Continued)**

|   | Capital Assets At Year-End, Net of Accumulated Depreciation |                      |  | Change<br>Positive<br>(Negative) |
|---|---|----------------------|--|----------------------------------|
|   | 2022  | 2021                 |  |                                  |
| <b>Capital Assets Not Being Depreciated:</b>            |   |                      |  |                                  |
| Land and Land Improvements                              | \$ 2,040,485  | \$ 1,206,953         |  | \$ 833,532                       |
| Construction in Progress                                | 9,484   | 234,760              |  | (225,276)                        |
| <b>Capital Assets, Net of Accumulated Depreciation:</b> |   |                      |  |                                  |
| Water System  | 4,668,603   | 3,822,007            |  | 846,596                          |
| Wastewater System                                       | 13,682,736  | 14,033,073           |  | (350,337)                        |
| Drainage  | 4,149,525   | 4,258,136            |  | (108,611)                        |
| Buildings, Equipment and Improvements                   | 299,076   | 319,425              |  | (20,349)                         |
| <b>Total Net Capital Assets</b>                         | <b>\$ 24,849,909</b>  | <b>\$ 23,874,354</b> |  | <b>\$ 975,555</b>                |

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the District had total bond debt payable of \$19,039,997. The changes in the debt position of the District during the fiscal year ended September 30, 2022, are summarized as follows:

|  |                             |
|--|-----------------------------|
| Bond Debt Payable, October 1, 2021           | \$ 19,784,997               |
| Less: Bond Principal Paid                    | <u>745,000</u>              |
| <b>Bond Debt Payable, September 30, 2022</b> | <b><u>\$ 19,039,997</u></b> |

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 and the Series 2021 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, 2022**

|  | General Fund              | Debt<br>Service Fund    |
|--|---------------------------|-------------------------|
| <b>ASSETS</b>  |                           |                         |
| Cash   | \$ 698,333                | \$ 49,429               |
| Investments  | 2,678,168                 | 876,746                 |
| Receivables:   |                           |                         |
| Property Taxes   | 40,377                    | 34,337                  |
| Penalty and Interest on Delinquent Taxes                   |                           |                         |
| Service Accounts   | 285,453                   |                         |
| Other  | 28,706                    |                         |
| Due from Other Funds                                       | 199,591                   |                         |
| Prepaid Costs  |                           |                         |
| Land   |                           |                         |
| Construction in Progress                                   |                           |                         |
| Capital Assets (Net of Accumulated Depreciation)           | <hr/>                     | <hr/>                   |
| <b>TOTAL ASSETS</b>  | <hr/> <u>\$ 3,930,628</u> | <hr/> <u>\$ 960,512</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                      |                           |                         |
| Deferred Charges on Refunding Bonds                        | \$ -0-                    | \$ -0-                  |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b> | <hr/> <u>\$ 3,930,628</u> | <hr/> <u>\$ 960,512</u> |

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

| Capital<br>Projects Fund | Total        | Adjustments   | Statement of<br>Net Position |
|--------------------------|--------------|---------------|------------------------------|
| \$ 9,972                 | \$ 757,734   | \$            | \$ 757,734                   |
|                          | 3,554,914    |               | 3,554,914                    |
|                          | 74,714       |               | 74,714                       |
|                          |              | 40,465        | 40,465                       |
|                          | 285,453      |               | 285,453                      |
|                          | 28,706       |               | 28,706                       |
| 115,448                  | 315,039      | (315,039)     |                              |
|                          |              | 37,270        | 37,270                       |
|                          |              | 2,040,485     | 2,040,485                    |
|                          |              | 9,484         | 9,484                        |
|                          |              | 22,799,940    | 22,799,940                   |
| <hr/>                    | <hr/>        | <hr/>         | <hr/>                        |
| \$ 125,420               | \$ 5,016,560 | \$ 24,612,605 | \$ 29,629,165                |
| <hr/>                    | <hr/>        | <hr/>         | <hr/>                        |
| \$ -0-                   | \$ -0-       | \$ 610,011    | \$ 610,011                   |
| <hr/>                    | <hr/>        | <hr/>         | <hr/>                        |
| \$ 125,420               | \$ 5,016,560 | \$ 25,222,616 | \$ 30,239,176                |

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, 2022**

|   | General Fund               | Debt<br>Service Fund     |
|---|----------------------------|--------------------------|
| <b>LIABILITIES</b>  |                            |                          |
| Accounts Payable  | \$ 144,884                 | \$                       |
| Accrued Interest Payable  |                            |                          |
| Due to Developer  |                            |                          |
| Due to Other Funds  |                            | 243,213                  |
| Due to Voluntary Services   | 2,888                      |                          |
| Security Deposits   | 175,921                    |                          |
| Long-Term Liabilities:  |                            |                          |
| Compound Interest Bonds Interest Payable                                      |                            |                          |
| Due Within One Year   |                            |                          |
| Due After One Year  |                            |                          |
| <b>TOTAL LIABILITIES</b>  | <u>\$ 323,693</u>          | <u>\$ 243,213</u>        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                            |                          |
| Property Taxes  | <u>\$ 40,377</u>           | <u>\$ 34,337</u>         |
| <b>FUND BALANCES</b>  |                            |                          |
| Restricted for Authorized Construction  | \$                         | \$                       |
| Restricted for Debt Service   |                            | 682,962                  |
| Unassigned  | <u>3,566,558</u>           | <u></u>                  |
| <b>TOTAL FUND BALANCES</b>  | <u>\$ 3,566,558</u>        | <u>\$ 682,962</u>        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> | <u><u>\$ 3,930,628</u></u> | <u><u>\$ 960,512</u></u> |
| <b>NET POSITION</b>   |                            |                          |
| Net Investment in Capital Assets  |                            |                          |
| Restricted for Debt Service   |                            |                          |
| Unrestricted  |                            |                          |
| <b>TOTAL NET POSITION</b>   |                            |                          |

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

| Capital<br>Projects Fund | Total               | Adjustments           | Statement of<br>Net Position |            |
|--------------------------|---------------------|-----------------------|------------------------------|------------|
|                          |                     |                       | \$                           | \$         |
|                          | 144,884             |                       | 144,884                      |            |
|                          |                     | 40,550                |                              | 40,550     |
|                          |                     | 4,887,483             |                              | 4,887,483  |
| 71,826                   | 315,039             | (315,039)             |                              |            |
|                          | 2,888               |                       |                              | 2,888      |
|                          | 175,921             |                       |                              | 175,921    |
|                          |                     | 150,630               |                              | 150,630    |
|                          |                     | 760,000               |                              | 760,000    |
|                          |                     | 18,118,760            |                              | 18,118,760 |
| <u>\$ 71,826</u>         | <u>\$ 638,732</u>   | <u>\$ 23,642,384</u>  | <u>\$ 24,281,116</u>         |            |
| <u>\$ -0-</u>            | <u>\$ 74,714</u>    | <u>\$ (74,714)</u>    | <u>\$ -0-</u>                |            |
| \$ 53,594                | \$ 53,594           | \$ (53,594)           | \$                           |            |
|                          | 682,962             | (682,962)             |                              |            |
|                          | 3,566,558           | (3,566,558)           |                              |            |
| <u>\$ 53,594</u>         | <u>\$ 4,303,114</u> | <u>\$ (4,303,114)</u> | <u>\$ -0-</u>                |            |
| <u>\$ 125,420</u>        | <u>\$ 5,016,560</u> |                       |                              |            |
|                          |                     | \$ 1,596,641          | \$ 1,596,641                 |            |
|                          |                     | 717,214               | 717,214                      |            |
|                          |                     | 3,644,205             | 3,644,205                    |            |
|                          |                     | <u>\$ 5,958,060</u>   | <u>\$ 5,958,060</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, 2022**

Total Fund Balances - Governmental Funds \$ 4,303,114

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. 37,270

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. 610,011

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 24,849,909

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District. 115,179

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                             | \$ (4,887,483)      |
| Compound Interest Bonds Interest Payable     | (150,630)           |
| Accrued Interest Payable                     | (40,550)            |
| Bonds Payable                                | <u>(18,878,760)</u> |
|  | <u>(23,957,423)</u> |
| Total Net Position - Governmental Activities | <u>\$ 5,958,060</u> |

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**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, 2022**

|   | <u>General Fund</u> | <u>Debt<br/>Service Fund</u> |
|---|---------------------|------------------------------|
| <b>REVENUES</b>   |                     |                              |
| Property Taxes  | \$ 1,782,398        | \$ 1,265,460                 |
| Water Service   | 726,876             |                              |
| Wastewater Service  | 1,175,639           |                              |
| Surface Water Revenue   | 486,319             |                              |
| Penalty and Interest  | 30,694              | 50,728                       |
| Sales Tax Revenue   | 142,063             |                              |
| Reconnection Fees   | 4,350               |                              |
| Septic Service  | 8,738               |                              |
| Tap Connection and Inspection Fees                                    | 24,044              |                              |
| Investment and Miscellaneous Revenues                                 | 70,482              | 7,205                        |
| <b>TOTAL REVENUES</b>   | <u>\$ 4,451,603</u> | <u>\$ 1,323,393</u>          |
| <b>EXPENDITURES/EXPENSES</b>  |                     |                              |
| Service Operations:   |                     |                              |
| Personnel   | \$ 816,701          | \$                           |
| Professional Fees   | 330,051             | 14,623                       |
| Contracted Services   | 303,821             | 41,996                       |
| Utilities   | 175,068             |                              |
| Surface Water Fees  | 454,165             |                              |
| Repairs and Maintenance   | 512,720             |                              |
| Depreciation  |                     |                              |
| Other   | 985,267             | 17,477                       |
| Capital Outlay  | 1,970,244           |                              |
| Debt Service:   |                     |                              |
| Bond Principal  |                     | 745,000                      |
| Bond Interest   |                     | 489,263                      |
| <b>TOTAL EXPENDITURES/EXPENSES</b>                                    | <u>\$ 5,548,037</u> | <u>\$ 1,308,359</u>          |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES/EXPENSES</b> |                     |                              |
| <b>OTHER FINANCING SOURCES (USES)</b>                                 |                     |                              |
| Transfers In(Out)   | <u>\$ 239,766</u>   | <u>\$ -0-</u>                |
| <b>NET CHANGE IN FUND BALANCES</b>                                    | <u>\$ (856,668)</u> | <u>\$ 15,034</u>             |
| <b>CHANGE IN NET POSITION</b>   |                     |                              |
| <b>FUND BALANCES/NET POSITION - OCTOBER 1, 2021</b>                   | <u>4,423,226</u>    | <u>667,928</u>               |
| <b>FUND BALANCES/NET POSITION - SEPTEMBER 30, 2022</b>                | <u>\$ 3,566,558</u> | <u>\$ 682,962</u>            |

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

| Capital<br>Projects Fund |               | Total               | Adjustments           | Statement of<br>Activities |  |
|--------------------------|---------------|---------------------|-----------------------|----------------------------|--|
| \$                       | \$            | 3,047,858           | \$ (14,543)           | \$ 3,033,315               |  |
|                          |               | 726,876             |                       | 726,876                    |  |
|                          |               | 1,175,639           |                       | 1,175,639                  |  |
|                          |               | 486,319             |                       | 486,319                    |  |
|                          |               | 81,422              | (6,995)               | 74,427                     |  |
|                          |               | 142,063             |                       | 142,063                    |  |
|                          |               | 4,350               |                       | 4,350                      |  |
|                          |               | 8,738               |                       | 8,738                      |  |
|                          |               | 24,044              |                       | 24,044                     |  |
|                          | <u>1,086</u>  | <u>78,773</u>       |                       | <u>78,773</u>              |  |
| <u>\$</u>                | <u>1,086</u>  | <u>\$ 5,776,082</u> | <u>\$ (21,538)</u>    | <u>\$ 5,754,544</u>        |  |
|                          |               |                     |                       |                            |  |
| \$                       | \$            | 816,701             | \$                    | 816,701                    |  |
|                          |               | 344,674             |                       | 344,674                    |  |
|                          |               | 345,817             |                       | 345,817                    |  |
|                          |               | 175,068             |                       | 175,068                    |  |
|                          |               | 454,165             |                       | 454,165                    |  |
|                          |               | 512,720             | 12,116                | 524,836                    |  |
|                          |               |                     | 982,571               | 982,571                    |  |
|                          | 15            | 1,002,759           |                       | 1,002,759                  |  |
|                          |               | 1,970,244           | (1,970,244)           |                            |  |
|                          |               | 745,000             | (745,000)             |                            |  |
|                          |               | 489,263             | 96,121                | 585,384                    |  |
| <u>\$</u>                | <u>15</u>     | <u>\$ 6,856,411</u> | <u>\$ (1,624,436)</u> | <u>\$ 5,231,975</u>        |  |
|                          |               |                     |                       |                            |  |
| \$                       | 1,071         | \$ (1,080,329)      | \$ 1,602,898          | \$ 522,569                 |  |
|                          |               |                     |                       |                            |  |
| \$                       | (239,766)     | \$ -0-              | \$ -0-                | \$ -0-                     |  |
| \$                       | (238,695)     | \$ (1,080,329)      | \$ 1,080,329          | \$                         |  |
|                          |               |                     | 522,569               | 522,569                    |  |
|                          | 292,289       | 5,383,443           | 52,048                | 5,435,491                  |  |
| <u>\$</u>                | <u>53,594</u> | <u>\$ 4,303,114</u> | <u>\$ 1,654,946</u>   | <u>\$ 5,958,060</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, 2022**

|   |                   |
|---|-------------------|
| Net Change in Fund Balances - Governmental Funds  | \$ (1,080,329)    |
| Amounts reported for governmental activities in the Statement of Activities are different because:  |                   |
| Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.  | (14,543)          |
| 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.                                   | (6,995)           |
| 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.                                | (982,571)         |
| 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. | 1,958,128         |
| 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.   | 745,000           |
| 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.                 | <u>(96,121)</u>   |
| Change in Net Position - Governmental Activities  | <u>\$ 522,569</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, 2022**

**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, 2022**

**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, 2022**

**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, 2022, the Debt Service Fund owed the General Fund \$116,865 for maintenance tax collections and \$10,900 for arbitrage compliance. The Capital Projects Fund owed the General Fund \$71,826 for bond issuance costs associated with the Series 2021 Bonds. 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 \$239,766 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, 2022**

**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:

|                         | <u>Years</u> |
|-------------------------|--------------|
| 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, 2022**

**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, 2022**

**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<br>Series 2016 | Series 2017             |
|---|--------------------------|-------------------------|
| Amount Outstanding –<br>September 30, 2022    | \$ 8,045,000             | \$ 4,830,000            |
| Interest Rates                                | 2.00% - 3.00%            | 3.00% - 5.00%           |
| Maturity Dates – Serially<br>Beginning/Ending | March 1,<br>2023/2036    | March 1,<br>2023/2040   |
| Interest Payment Dates                        | March 1/<br>September 1  | March 1/<br>September 1 |
| Callable Dates                                | March 1, 2024*           | March 1, 2024*          |

\* 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.

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

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

|   | Refunding Series 2021     |                            | Series 2021             |
|---|---------------------------|----------------------------|-------------------------|
|   | Current Interest<br>Bonds | Compound Interest<br>Bonds |                         |
| Amount Outstanding –<br>September 30, 2022    | \$ 2,155,000              | \$ 304,997                 | \$ 3,705,000            |
| Interest Rates                                | 2.00% - 3.00%             | 1.87%                      | 2.00% - 2.125%          |
| Maturity Dates – Serially<br>Beginning/Ending | March 1,<br>2023/2036     | March 1,<br>2035           | March 1,<br>2023/2042   |
| Interest Payment Dates                        | March 1/<br>September 1   | At<br>Maturity             | March 1/<br>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 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. 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.

\*\* 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 \$150,630 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, 2022:

|                      | October 1,<br>2021   | Additions     | Retirements                | September 30,<br>2022 |
|----------------------|----------------------|---------------|----------------------------|-----------------------|
| Bonds Payable        | \$ 19,784,997        | \$            | \$ 745,000                 | \$ 19,039,997         |
| Unamortized Discount | (244,791)            |               | (13,822)                   | (230,969)             |
| Unamortized Premium  | 75,344               |               | 5,612                      | 69,732                |
| Bonds Payable, Net   | <u>\$ 19,615,550</u> | <u>\$ -0-</u> | <u>\$ 736,790</u>          | <u>\$ 18,878,760</u>  |
|                      |                      |               | Amount Due Within One Year | \$ 760,000            |
|                      |                      |               | Amount Due After One Year  | 18,118,760            |
|                      |                      |               | Bonds Payable, Net         | <u>\$ 18,878,760</u>  |

On November 2, 2021, voters of the District approved the issuance of \$31,550,000 of tax bonds for utility facilities and \$2,000,000 of refunding bonds. As of September 30, 2022, none of these authorized bonds have been issued.

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

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

As of September 30, 2022, the debt service requirements on the bonds outstanding were as follows:

| <u>Fiscal Year</u> | <u>Principal</u>            | <u>Interest</u>            | <u>Total</u>                |
|--------------------|-----------------------------|----------------------------|-----------------------------|
| 2023               | \$ 760,000                  | \$ 477,855                 | \$ 1,237,855                |
| 2024               | 780,000                     | 460,080                    | 1,240,080                   |
| 2025               | 795,000                     | 441,880                    | 1,236,880                   |
| 2026               | 815,000                     | 423,405                    | 1,238,405                   |
| 2027               | 835,000                     | 404,398                    | 1,239,398                   |
| 2028-2032          | 4,470,000                   | 1,702,738                  | 6,172,738                   |
| 2033-2037          | 4,789,997                   | 1,380,683                  | 6,170,680                   |
| 2038-2042          | <u>5,795,000</u>            | <u>373,399</u>             | <u>6,168,399</u>            |
|                    | <u><u>\$ 19,039,997</u></u> | <u><u>\$ 5,664,438</u></u> | <u><u>\$ 24,704,435</u></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, 2022, the District levied an ad valorem debt service tax at the rate of \$0.31 per \$100 of assessed valuation, which resulted in a tax levy of \$1,259,781 on the adjusted taxable valuation of \$406,380,967 for the 2021 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, 2022**

**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 \$757,734 and the bank balance was \$795,091. 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, 2022, as listed below:

|                       | <u>Cash</u>           |
|-----------------------|-----------------------|
| GENERAL FUND          | \$ 698,333            |
| DEBT SERVICE FUND     | 49,429                |
| CAPITAL PROJECTS FUND | 9,972                 |
| <br>TOTAL DEPOSITS    | <br><u>\$ 757,734</u> |

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**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 Investors, 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, 2022, the District had the following investments and maturities:

| Fund and<br>Investment Type     | Maturities of       |                     |
|---------------------------------|---------------------|---------------------|
|                                 | Fair Value          | Less Than<br>1 Year |
| <b><u>GENERAL FUND</u></b>      |                     |                     |
| TexPool                         | \$ 2,678,168        | \$ 2,678,168        |
| <b><u>DEBT SERVICE FUND</u></b> |                     |                     |
| TexPool                         | 876,746             | 876,746             |
| <b>TOTAL INVESTMENTS</b>        | <b>\$ 3,554,914</b> | <b>\$ 3,554,914</b> |

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**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, 2022, the District's investment in TexPool was rated AAA 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, 2022**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2022:

|  | October 1,<br>2021                 | Increases                         | Decreases                         | September 30,<br>2022              |
|--|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| <b>Capital Assets Not Being Depreciated</b>                              |                                    |                                   |                                   |                                    |
| Land and Land Improvements   | \$ 1,206,953                       | \$ 833,532                        | \$                                | \$ 2,040,485                       |
| Construction in Progress   | <u>234,760</u>                     | <u>1,958,126</u>                  | <u>2,183,402</u>                  | <u>9,484</u>                       |
| <b>Total Capital Assets Not Being Depreciated</b>                        | <u><u>\$ 1,441,713</u></u>         | <u><u>\$ 2,791,658</u></u>        | <u><u>\$ 2,183,402</u></u>        | <u><u>\$ 2,049,969</u></u>         |
| <b>Capital Assets Subject to Depreciation</b>                            |                                    |                                   |                                   |                                    |
| Water System   | \$ 10,512,822                      | \$ 1,094,684                      | \$                                | \$ 11,607,506                      |
| Wastewater System  | 20,048,221                         | 255,186                           |                                   | 20,303,407                         |
| Drainage   | 4,887,483                          |                                   |                                   | 4,887,483                          |
| Buildings, Equipment and Improvements                                    | <u>663,469</u>                     | <u>      </u>                     | <u>      </u>                     | <u>663,469</u>                     |
| <b>Total Capital Assets Subject to Depreciation</b>                      | <u><u>\$ 36,111,995</u></u>        | <u><u>\$ 1,349,870</u></u>        | <u><u>\$ - 0 -</u></u>            | <u><u>\$ 37,461,865</u></u>        |
| <b>Less Accumulated Depreciation</b>                                     |                                    |                                   |                                   |                                    |
| Water System   | \$ 6,690,815                       | \$ 248,088                        | \$                                | \$ 6,938,903                       |
| Wastewater System  | 6,015,148                          | 605,523                           |                                   | 6,620,671                          |
| Drainage   | 629,347                            | 108,611                           |                                   | 737,958                            |
| Buildings, Equipment and Improvements                                    | <u>344,044</u>                     | <u>20,349</u>                     |                                   | <u>364,393</u>                     |
| <b>Total Accumulated Depreciation</b>                                    | <u><u>\$ 13,679,354</u></u>        | <u><u>\$ 982,571</u></u>          | <u><u>\$ - 0 -</u></u>            | <u><u>\$ 14,661,925</u></u>        |
| <b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b> | <u><u>\$ 22,432,641</u></u>        | <u><u>\$ 367,299</u></u>          | <u><u>\$ - 0 -</u></u>            | <u><u>\$ 22,799,940</u></u>        |
| <b>Total Capital Assets, Net of Accumulated Depreciation</b>             | <u><u><u>\$ 23,874,354</u></u></u> | <u><u><u>\$ 3,158,957</u></u></u> | <u><u><u>\$ 2,183,402</u></u></u> | <u><u><u>\$ 24,849,909</u></u></u> |

**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, 2022, the District levied an ad valorem maintenance tax rate of \$0.4376 per \$100 of assessed valuation, which resulted in a tax levy of \$1,778,323 on the adjusted taxable valuation of \$406,380,967 for the 2021 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, 2022**

**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 \$48,009 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 77<sup>th</sup> 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, 2022**

**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 \$454,165 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, 2022**

**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 \$142,063 of sales tax revenue from the City of Houston with \$22,037 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, 2022, \$4,887,483 has been recorded as a liability in the Statement of Net Position. The \$4,887,483 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. SUBSEQUENT EVENT – BOND SALE**

On November 8, 2022, subsequent to year-end, 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.

**THIS PAGE INTENTIONALLY LEFT BLANK**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2022**



**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, 2022**

|  | Original and<br>Final Budget | Actual                       | Variance<br>Positive<br>(Negative) |
|--|------------------------------|------------------------------|------------------------------------|
| <b>REVENUES</b>  |                              |                              |                                    |
| Property Taxes   | \$ 1,450,000                 | \$ 1,782,398                 | \$ 332,398                         |
| Water Service  | 550,000                      | 726,876                      | 176,876                            |
| Wastewater Service   | 900,000                      | 1,175,639                    | 275,639                            |
| Surface Water Revenue  | 325,000                      | 486,319                      | 161,319                            |
| Penalty and Interest   | 24,000                       | 30,694                       | 6,694                              |
| Sales Tax Revenue  | 20,000                       | 142,063                      | 122,063                            |
| Reconnection Fees  | 3,500                        | 4,350                        | 850                                |
| Septic Service   | 70,000                       | 8,738                        | (61,262)                           |
| Tap Connection and Inspection Fees                           | 11,000                       | 24,044                       | 13,044                             |
| Investment and Miscellaneous Revenues                        | <u>56,700</u>                | <u>70,482</u>                | <u>13,782</u>                      |
| <b>TOTAL REVENUES</b>  | <b><u>\$ 3,410,200</u></b>   | <b><u>\$ 4,451,603</u></b>   | <b><u>\$ 1,041,403</u></b>         |
| <b>EXPENDITURES</b>  |                              |                              |                                    |
| Service Operations:  |                              |                              |                                    |
| Personnel  | \$ 753,000                   | \$ 816,701                   | \$ (63,701)                        |
| Professional Fees  | 171,000                      | 330,051                      | (159,051)                          |
| Contracted Services  | 327,500                      | 303,821                      | 23,679                             |
| Utilities  | 190,000                      | 175,068                      | 14,932                             |
| Surface Water Fees   | 420,000                      | 454,165                      | (34,165)                           |
| Repairs and Maintenance                                      | 596,000                      | 512,720                      | 83,280                             |
| Other  | 715,000                      | 985,267                      | (270,267)                          |
| Capital Outlay   | <u>237,700</u>               | <u>1,970,244</u>             | <u>(1,732,544)</u>                 |
| <b>TOTAL EXPENDITURES</b>                                    | <b><u>\$ 3,410,200</u></b>   | <b><u>\$ 5,548,037</u></b>   | <b><u>\$ (2,137,837)</u></b>       |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b><u>\$ -0-</u></b>         | <b><u>\$ (1,096,434)</u></b> | <b><u>\$ (1,096,434)</u></b>       |
| <b>OTHER FINANCING SOURCES(USES)</b>                         |                              |                              |                                    |
| Transfers In(Out)  | <u>\$ -0-</u>                | <u>\$ 239,766</u>            | <u>\$ 239,766</u>                  |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b><u>\$ -0-</u></b>         | <b><u>\$ (856,668)</u></b>   | <b><u>\$ (856,668)</u></b>         |
| <b>FUND BALANCE - OCTOBER 1, 2021</b>                        | <b><u>4,423,226</u></b>      | <b><u>4,423,226</u></b>      | <b><u></u></b>                     |
| <b>FUND BALANCE - SEPTEMBER 30, 2022</b>                     | <b><u>\$ 4,423,226</u></b>   | <b><u>\$ 3,566,558</u></b>   | <b><u>\$ (856,668)</u></b>         |

See accompanying independent auditor's report.

**THIS PAGE INTENTIONALLY LEFT BLANK**

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

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

**SEPTEMBER 30, 2022**



**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

|  |                     |       |                      |       |            |
|--|---------------------|-------|----------------------|-------|------------|
| <input checked="" type="checkbox"/>  | Retail Water        | _____ | Wholesale Water      | _____ | Drainage   |
| <input checked="" type="checkbox"/>  | Retail Wastewater   | _____ | Wholesale Wastewater | _____ | Irrigation |
| <input checked="" type="checkbox"/>  | Parks/Recreation    | _____ | Fire Protection      | _____ | Security   |
| <input checked="" type="checkbox"/>  | 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 May 31, 2022.

|   | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate per 1,000 Gallons over Minimum Use  | Usage Levels   |
|---|----------------|---------------|---------------|--|--|
| WATER:  | \$ 16.83       | 6,000         | N             | \$ 2.78<br>\$ 2.88<br>\$ 2.98<br>\$ 3.08<br>\$ 3.58<br>\$ 4.08<br>\$ 4.33<br>\$ 4.58<br>\$ 4.83<br>\$ 5.08 | 6,001 to 10,000<br>10,001 to 19,000<br>19,001 to 29,000<br>29,001 to 39,000<br>39,001 to 49,000<br>49,001 to 59,000<br>59,001 to 69,000<br>69,001 to 79,000<br>79,001 to 89,000<br>89,001 and up |
| WASTEWATER:   | \$ 48.58       | 10,000        | N             | \$ 0.50  | 10,001 and over  |
| SURCHARGE:  |                |               |               |  |  |
| Commission<br>Regulatory<br>Assessments                 |                |               | N             | 0.5% of water<br>and wastewater<br>charges   |  |
| Water<br>Conservation<br>District Fees                  |                |               | N             | \$ 0.137   | 0,001 and up   |
| Groundwater<br>Reduction                                |                |               | N             | \$ 3.29  | 0,001 and up   |
| District employs winter averaging for wastewater usage? |                |               |               |  | <hr/> Yes <input checked="" type="checkbox"/> X<br>No  |

Total monthly charges per 10,000 gallons usage: Water: \$27.95 Wastewater: \$48.58 Surcharge: \$34.65 Total: \$111.18

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

| <b>Meter Size</b>                     | <b>Total Connections</b> | <b>Active Connections</b> | <b>ESFC Factor</b> | <b>Active ESFCs</b> |
|---------------------------------------|--------------------------|---------------------------|--------------------|---------------------|
| Unmetered                             | 7                        | 7                         | x 1.0              | 7                   |
| <u><math>\leq \frac{3}{4}</math>"</u> | 1,200                    | 1,087                     | x 1.0              | 1,087               |
| 1"                                    | 5                        | 5                         | x 2.5              | 13                  |
| 1½"                                   | 1                        | 1                         | x 5.0              | 5                   |
| 2"                                    | 13                       | 13                        | x 8.0              | 104                 |
| 3"                                    | 1                        | 1                         | x 15.0             | 15                  |
| 4"                                    | 1                        | 1                         | x 25.0             | 25                  |
| 6"                                    | 2                        | 2                         | x 50.0             | 100                 |
| 8"                                    | 6                        | 6                         | x 80.0             | 480                 |
| 10"                                   | 2                        | 2                         | x 115.0            | 230                 |
| Total Water Connections               | 1,238                    | 1,125                     |                    | 2,066               |
| Total Wastewater Connections          | 1,163                    | 1,147                     | x 1.0              | 1,147               |

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

Gallons pumped into system: 155,641,000 Water Accountability Ratio: 96%  
(Gallons billed/Gallons pumped)

Gallons billed to customers: 149,896,000

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

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

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes **X** No       

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely        Partly        Not at all **X**

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

Entirely **X** 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 **X**

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

|   |                   |
|---|-------------------|
| PERSONNEL EXPENDITURES (Including Benefits) | <u>\$ 816,701</u> |
| <b>PROFESSIONAL FEES:</b>                   |                   |
| Auditing                                    | \$ 16,250         |
| Engineering                                 | 251,046           |
| Legal                                       | <u>62,755</u>     |
| <b>TOTAL PROFESSIONAL FEES</b>              | <u>\$ 330,051</u> |
| <b>CONTRACTED SERVICES:</b>                 |                   |
| Bookkeeping                                 | \$ 30,345         |
| Solid Waste Disposal                        | <u>273,476</u>    |
| <b>TOTAL CONTRACTED SERVICES</b>            | <u>\$ 303,821</u> |
| <b>UTILITIES:</b>                           |                   |
| Electricity                                 | \$ 144,975        |
| Telephone                                   | <u>30,093</u>     |
| <b>TOTAL UTILITIES</b>                      | <u>\$ 175,068</u> |
| <b>REPAIRS AND MAINTENANCE</b>              | <u>\$ 512,720</u> |
| <b>ADMINISTRATIVE EXPENDITURES:</b>         |                   |
| Director Fees                               | \$ 14,176         |
| Dues  | 3,789             |
| Election Costs                              | 71,971            |
| Insurance                                   | 56,600            |
| Office Supplies and Postage                 | 26,726            |
| Surface Water Fees                          | 454,165           |
| Travel and Meetings                         | 10,099            |
| Other                                       | <u>69,294</u>     |
| <b>TOTAL ADMINISTRATIVE EXPENDITURES</b>    | <u>\$ 706,820</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, 2022**

|                          |                            |
|--------------------------|----------------------------|
| CAPITAL OUTLAY           | \$ <u>1,970,244</u>        |
| TAP CONNECTIONS          | \$ <u>13,775</u>           |
| OTHER EXPENDITURES:      |                            |
| Chemicals                | \$ 66,060                  |
| Computer Expense         | 370,179                    |
| Meter Expense            | 103,796                    |
| Fuel                     | 22,678                     |
| Laboratory Fees          | 42,350                     |
| Permit Fees              | 33,274                     |
| Regulatory Assessment    | 10,917                     |
| Sludge Hauling           | 45,425                     |
| Uniforms                 | 3,121                      |
| Other                    | <u>21,037</u>              |
| TOTAL OTHER EXPENDITURES | \$ <u>718,837</u>          |
| TOTAL EXPENDITURES       | \$ <u><u>5,548,037</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, 2022**

| Funds                           | Identification or<br>Certificate Number | Interest<br>Rate | Maturity<br>Date | Balance at<br>End of Year | Accrued<br>Interest | Receivable at<br>End of Year |
|---------------------------------|---|------------------|------------------|---------------------------|---------------------|------------------------------|
| <b><u>GENERAL FUND</u></b>      |   |                  |                  |                           |                     |                              |
| TexPool                         | XXXX0003                                | Varies           | Daily            | \$ 207,472                | \$                  |                              |
| TexPool                         | XXXX0004                                | Varies           | Daily            | 533,435                   |                     |                              |
| TexPool                         | XXXX0011                                | Varies           | Daily            | 541,525                   |                     |                              |
| TexPool                         | XXXX0012                                | Varies           | Daily            | <u>1,395,736</u>          |                     |                              |
| <b>TOTAL GENERAL FUND</b>       |   |                  |                  | <b>\$ 2,678,168</b>       | <b>\$ -0-</b>       |                              |
| <b><u>DEBT SERVICE FUND</u></b> |   |                  |                  |                           |                     |                              |
| TexPool                         | XXXX0001                                | Varies           | Daily            | \$ 876,746                | \$ -0-              |                              |
| <b>TOTAL - ALL FUNDS</b>        |   |                  |                  | <b>\$ 3,554,914</b>       | <b>\$ -0-</b>       |                              |

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, 2022**

|                             | <u>Maintenance Taxes</u> | <u>Debt Service Taxes</u> |
|-----------------------------|--------------------------|---------------------------|
| <b>TAXES RECEIVABLE -</b>   |                          |                           |
| OCTOBER 1, 2021             | \$ 47,109                | \$ 42,148                 |
| Adjustments to Beginning    |                          |                           |
| Balance                     | <u>(2,657)</u>           | <u>\$ 44,452</u>          |
| Original 2021 Tax Levy      | \$ 1,718,606             | \$ 1,217,477              |
| Adjustment to 2021 Tax Levy | <u>59,717</u>            | <u>1,778,323</u>          |
| <b>TOTAL TO BE</b>          |                          |                           |
| <b>ACCOUNTED FOR</b>        | \$ 1,822,775             | \$ 1,299,797              |
| <b>TAX COLLECTIONS:</b>     |                          |                           |
| Prior Years                 | \$ 28,662                | \$ 23,097                 |
| Current Year                | <u>1,753,736</u>         | <u>1,242,363</u>          |
| <b>TAXES RECEIVABLE -</b>   |                          |                           |
| <b>SEPTEMBER 30, 2022</b>   | <u><u>\$ 40,377</u></u>  | <u><u>\$ 34,337</u></u>   |
| <b>TAXES RECEIVABLE BY</b>  |                          |                           |
| <b>YEAR:</b>                |                          |                           |
| 2021                        | \$ 24,587                | \$ 17,418                 |
| 2020                        | 5,588                    | 3,959                     |
| 2019                        | 2,611                    | 1,954                     |
| 2018                        | 1,421                    | 1,093                     |
| 2017                        | 783                      | 685                       |
| 2016 and prior              | <u>5,387</u>             | <u>9,228</u>              |
| <b>TOTAL</b>                | <u><u>\$ 40,377</u></u>  | <u><u>\$ 34,337</u></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, 2022**

|  | <u>2021</u>                  | <u>2020</u>                  | <u>2019</u>                  | <u>2018</u>                  |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| <b>PROPERTY VALUATIONS:</b>                                  |                              |                              |                              |                              |
| Land   | \$ 46,213,030                | \$ 48,153,890                | \$ 47,144,570                | \$ 47,316,810                |
| Improvements   | 383,113,672                  | 339,928,302                  | 326,986,972                  | 302,690,110                  |
| Personal Property  | 12,676,921                   | 12,521,128                   | 14,078,693                   | 14,715,445                   |
| Exemptions   | <u>(35,622,656)</u>          | <u>(39,734,374)</u>          | <u>(37,825,893)</u>          | <u>(31,916,601)</u>          |
| <b>TOTAL PROPERTY<br/>VALUATIONS</b>                         | <b><u>\$ 406,380,967</u></b> | <b><u>\$ 360,868,946</u></b> | <b><u>\$ 350,384,342</u></b> | <b><u>\$ 332,805,764</u></b> |
| <b>TAX RATES PER \$100<br/>VALUATION:</b>                    |                              |                              |                              |                              |
| Debt Service Tax   | \$ 0.3100                    | \$ 0.3100                    | \$ 0.3200                    | \$ 0.340                     |
| Maintenance Tax  | <u>0.4376</u>                | <u>0.4376</u>                | <u>0.4276</u>                | <u>0.442</u>                 |
| <b>TOTAL TAX RATES PER<br/>\$100 VALUATION</b>               | <b><u>\$ 0.7476</u></b>      | <b><u>\$ 0.7476</u></b>      | <b><u>\$ 0.7476</u></b>      | <b><u>\$ 0.782</u></b>       |
| <b>ADJUSTED TAX LEVY*</b>                                    | <b><u>\$ 3,038,104</u></b>   | <b><u>\$ 2,698,496</u></b>   | <b><u>\$ 2,620,343</u></b>   | <b><u>\$ 2,602,540</u></b>   |
| <b>PERCENTAGE OF TAXES<br/>COLLECTED TO TAXES<br/>LEVIED</b> | <b><u>98.62 %</u></b>        | <b><u>99.65 %</u></b>        | <b><u>99.83 %</u></b>        | <b><u>99.90 %</u></b>        |

\* 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, 2022**

**S E R I E S - 2 0 1 6 R E F U N D I N G**

| Due During<br>Fiscal Years<br>Ending September 30 | Principal<br>Due<br>March 1 | Interest Due<br>March 1/<br>September 1 | Total               |
|---|-----------------------------|---|---------------------|
| 2023  | \$ 540,000                  | \$ 196,438                              | \$ 736,438          |
| 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  |                             |   |                     |
|   | <b>\$ 8,045,000</b>         | <b>\$ 1,443,556</b>                     | <b>\$ 9,488,556</b> |

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2022**

**S E R I E S - 2 0 1 7**

| Due During<br>Fiscal Years<br>Ending September 30 | Principal<br>Due<br>March 1 | Interest Due<br>March 1/<br>September 1 | Total               |
|---|-----------------------------|---|---------------------|
| 2023  | \$ 40,000                   | \$ 159,112                              | \$ 199,112          |
| 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  |                             |   |                     |
|   | <b>\$ 4,830,000</b>         | <b>\$ 2,358,331</b>                     | <b>\$ 7,188,331</b> |

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2022**

**S E R I E S - 2 0 2 1 R E F U N D I N G**

| Due During<br>Fiscal Years<br>Ending September 30 | Principal<br>Due<br>March 1 | Interest Due<br>March 1/<br>September 1 | Total               |
|---|-----------------------------|---|---------------------|
| 2023  | \$ 110,000                  | \$ 45,850                               | \$ 155,850          |
| 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  |                             |   |                     |
|   | <b>\$ 2,459,997</b>         | <b>\$ 672,353</b>                       | <b>\$ 3,132,350</b> |

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2022**

**S E R I E S - 2 0 2 1**

| Due During<br>Fiscal Years<br>Ending September 30 | Principal<br>Due<br>March 1 | Interest Due<br>March 1/<br>September 1 | Total                      |
|---|-----------------------------|---|----------------------------|
| 2023  | \$ 70,000                   | \$ 76,455                               | \$ 146,455                 |
| 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  | <u>1,220,000</u>            | <u>12,963</u>                           | <u>1,232,963</u>           |
|   | <b><u>\$ 3,705,000</u></b>  | <b><u>\$ 1,190,198</u></b>              | <b><u>\$ 4,895,198</u></b> |

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2022**

**A N N U A L R E Q U I R E M E N T S  
F O R A L L S E R I E S**

---

| Due During<br>Fiscal Years<br>Ending September 30 | Total<br>Principal Due      | Total<br>Interest Due      | Total<br>Principal<br>Interest Due |
|---|-----------------------------|----------------------------|------------------------------------|
| 2023  | \$ 760,000                  | \$ 477,855                 | \$ 1,237,855                       |
| 2024  | 780,000                     | 460,080                    | 1,240,080                          |
| 2025  | 795,000                     | 441,880                    | 1,236,880                          |
| 2026  | 815,000                     | 423,405                    | 1,238,405                          |
| 2027  | 835,000                     | 404,398                    | 1,239,398                          |
| 2028  | 850,000                     | 384,431                    | 1,234,431                          |
| 2029  | 870,000                     | 363,617                    | 1,233,617                          |
| 2030  | 895,000                     | 341,799                    | 1,236,799                          |
| 2031  | 915,000                     | 318,573                    | 1,233,573                          |
| 2032  | 940,000                     | 294,318                    | 1,234,318                          |
| 2033  | 965,000                     | 268,389                    | 1,233,389                          |
| 2034  | 995,000                     | 240,711                    | 1,235,711                          |
| 2035  | 744,997                     | 490,441                    | 1,235,438                          |
| 2036  | 1,030,000                   | 203,870                    | 1,233,870                          |
| 2037  | 1,055,000                   | 177,272                    | 1,232,272                          |
| 2038  | 1,090,000                   | 143,535                    | 1,233,535                          |
| 2039  | 1,125,000                   | 107,972                    | 1,232,972                          |
| 2040  | 1,165,000                   | 70,456                     | 1,235,456                          |
| 2041  | 1,195,000                   | 38,473                     | 1,233,473                          |
| 2042  | <u>1,220,000</u>            | <u>12,963</u>              | <u>1,232,963</u>                   |
|   | <u><u>\$ 19,039,997</u></u> | <u><u>\$ 5,664,438</u></u> | <u><u>\$ 24,704,435</u></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, 2022**

| Description   | Original<br>Bonds Issued    | Bonds<br>Outstanding<br>October 1, 2021 |
|---|-----------------------------|---|
| Montgomery County Water Control and Improvement District<br>No. 1 Unlimited Tax Refunding Bonds - Series 2016 | \$ 9,595,000                | \$ 8,570,000                            |
| Montgomery County Water Control and Improvement District<br>No. 1 Unlimited Tax Bonds - Series 2017           | 5,040,000                   | 4,865,000                               |
| Montgomery County Water Control and Improvement District<br>No. 1 Unlimited Tax Refunding Bonds - Series 2021 | 2,619,997                   | 2,574,997                               |
| Montgomery County Water Control and Improvement District<br>No. 1 Unlimited Tax Bonds - Series 2021           | <u>3,775,000</u>            | <u>3,775,000</u>                        |
| <b>TOTAL</b>  | <u><b>\$ 21,029,997</b></u> | <u><b>\$ 19,784,997</b></u>             |
| <br>Bond Authority:   |                             |   |
| Amount Authorized by Voters   | \$ 31,550,000               | \$ 2,000,000                            |
| Amount Issued   | <u>31,550,000</u>           | <u>2,000,000</u>                        |
| Remaining to be Issued  | <u><b>\$ 31,550,000</b></u> | <u><b>\$ 2,000,000</b></u>              |
| <br>Debt Service Fund cash and investment balances as of September 30, 2022:                                  | <u><b>\$ 926,175</b></u>    |   |
| Average annual debt service payment (principal and interest) for remaining term<br>of all debt:               | <u><b>\$ 1,235,222</b></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.

Current Year Transactions

| Bonds Sold      | Retirements       |                   | Bonds Outstanding<br>September 30, 2022 |
|-----------------|-------------------|-------------------|---|
|                 | Principal         | Interest          |   |
| \$ 525,000      | \$ 207,087        | \$ 8,045,000      | BOKF, N.A.<br>Austin, TX                |
| 35,000          | 160,988           | 4,830,000         | BOKF, N.A.<br>Austin, TX                |
| 115,000         | 49,225            | 2,459,997         | UMB Bank, N.A.<br>Houston, TX           |
| 70,000          | 71,963            | 3,705,000         | UMB Bank, N.A.<br>Houston, TX           |
| <u>\$ - 0 -</u> | <u>\$ 745,000</u> | <u>\$ 489,263</u> | <u>\$ 19,039,997</u>                    |

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                      |                            |                            |
|--|------------------------------|----------------------------|----------------------------|
|  | 2022                         | 2021                       | 2020                       |
| <b>REVENUES</b>  |                              |                            |                            |
| Property Taxes   | \$ 1,782,398                 | \$ 1,576,331               | \$ 1,498,575               |
| Water Service  | 726,876                      | 645,562                    | 619,171                    |
| Wastewater Service   | 1,175,639                    | 1,068,550                  | 1,027,779                  |
| Surface Water Revenue  | 486,319                      | 409,641                    | 381,550                    |
| Penalty and Interest   | 30,694                       | 28,302                     | 12,762                     |
| Sales Tax Revenue  | 142,063                      | 52,241                     | 31,690                     |
| Reconnection Fees  | 4,350                        | 5,469                      | 2,900                      |
| Septic Service   | 8,738                        | 64,057                     | 53,250                     |
| Tap Connection and Inspection Fees                           | 24,044                       | 4,500                      | 51,237                     |
| Investment and Miscellaneous Revenues                        | <u>70,482</u>                | <u>62,535</u>              | <u>138,002</u>             |
| <b>TOTAL REVENUES</b>  | <u><u>\$ 4,451,603</u></u>   | <u><u>\$ 3,917,188</u></u> | <u><u>\$ 3,816,916</u></u> |
| <b>EXPENDITURES</b>  |                              |                            |                            |
| Service Operations:  |                              |                            |                            |
| Personnel  | \$ 816,701                   | \$ 758,731                 | \$ 711,641                 |
| Professional Fees  | 330,051                      | 221,448                    | 168,928                    |
| Contracted Services  | 303,821                      | 244,910                    | 265,081                    |
| Utilities  | 175,068                      | 191,874                    | 159,717                    |
| Surface Water Fees   | 454,165                      | 391,678                    | 408,831                    |
| Repairs and Maintenance                                      | 512,720                      | 622,468                    | 922,453                    |
| Other  | 985,267                      | 497,808                    | 551,948                    |
| Capital Outlay   | <u>1,970,244</u>             | <u>251,527</u>             | <u>864,854</u>             |
| <b>TOTAL EXPENDITURES</b>                                    | <u><u>\$ 5,548,037</u></u>   | <u><u>\$ 3,180,444</u></u> | <u><u>\$ 4,053,453</u></u> |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u><u>\$ (1,096,434)</u></u> | <u><u>\$ 736,744</u></u>   | <u><u>\$ (236,537)</u></u> |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                              |                            |                            |
| Transfers In(Out)  | \$ 239,766                   | \$ - 0 -                   | \$ (111,124)               |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <u><u>\$ (856,668)</u></u>   | <u><u>\$ 736,744</u></u>   | <u><u>\$ (347,661)</u></u> |
| <b>BEGINNING FUND BALANCE</b>                                | <u><u>4,423,226</u></u>      | <u><u>3,686,482</u></u>    | <u><u>4,034,143</u></u>    |
| <b>ENDING FUND BALANCE</b>                                   | <u><u>\$ 3,566,558</u></u>   | <u><u>\$ 4,423,226</u></u> | <u><u>\$ 3,686,482</u></u> |

See accompanying independent auditor's report.

| Percentage of Total Revenues |  |                     |  |                 |                |                |                |
|------------------------------|--|---------------------|--|-----------------|----------------|----------------|----------------|
| 2019                         |  | 2018                |  | 2022            | 2021           | 2020           | 2019           |
| \$                           |  | \$                  |  |                 |                |                |                |
| \$ 1,446,866                 |  | \$ 1,325,860        |  | 40.1 %          | 40.3 %         | 39.4 %         | 37.5 %         |
| 547,472                      |  | 571,839             |  | 16.3            | 16.5           | 16.2           | 14.2           |
| 1,017,719                    |  | 928,388             |  | 26.4            | 27.3           | 26.9           | 26.4           |
| 341,959                      |  | 350,928             |  | 10.9            | 10.5           | 10.0           | 8.9            |
| 23,682                       |  | 23,700              |  | 0.7             | 0.7            | 0.3            | 0.6            |
| 24,645                       |  | 18,673              |  | 3.2             | 1.3            | 0.8            | 0.6            |
| 5,400                        |  | 5,479               |  | 0.1             | 0.1            | 0.1            | 0.1            |
| 124,897                      |  | 25,212              |  | 0.2             | 1.6            | 1.4            | 3.2            |
| 134,010                      |  | 6,300               |  | 0.5             | 0.1            | 1.3            | 3.5            |
| 194,216                      |  | 144,525             |  | 1.6             | 1.6            | 3.6            | 5.0            |
| <u>\$ 3,860,866</u>          |  | <u>\$ 3,400,904</u> |  | <u>100.0 %</u>  | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| <br>                         |  |                     |  |                 |                |                |                |
| \$ 676,360                   |  | \$ 622,623          |  | 18.3 %          | 19.4 %         | 18.6 %         | 17.5 %         |
| 204,723                      |  | 117,385             |  | 7.4             | 5.7            | 4.4            | 5.3            |
| 227,109                      |  | 222,815             |  | 6.8             | 6.3            | 6.9            | 5.9            |
| 170,106                      |  | 170,160             |  | 3.9             | 4.9            | 4.2            | 4.4            |
| 361,103                      |  | 372,604             |  | 10.2            | 10.0           | 10.7           | 9.4            |
| 800,380                      |  | 612,491             |  | 11.5            | 15.9           | 24.2           | 20.7           |
| 378,599                      |  | 364,244             |  | 22.1            | 12.7           | 14.5           | 9.8            |
| 115,201                      |  | 207,050             |  | 44.3            | 6.4            | 22.7           | 3.0            |
| <u>\$ 2,933,581</u>          |  | <u>\$ 2,689,372</u> |  | <u>124.5 %</u>  | <u>81.3 %</u>  | <u>106.2 %</u> | <u>76.0 %</u>  |
| <u>\$ 927,285</u>            |  | <u>\$ 711,532</u>   |  | <u>(24.5) %</u> | <u>18.7 %</u>  | <u>(6.2) %</u> | <u>24.0 %</u>  |
| <u>\$ - 0 -</u>              |  | <u>\$ - 0 -</u>     |  |                 |                |                |                |
| \$ 927,285                   |  | \$ 711,532          |  |                 |                |                |                |
| <u>3,106,858</u>             |  | <u>2,395,326</u>    |  |                 |                |                |                |
| <u>\$ 4,034,143</u>          |  | <u>\$ 3,106,858</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                    |                            |                            |
|--|----------------------------|----------------------------|----------------------------|
|  | 2022                       | 2021                       | 2020                       |
| <b>REVENUES</b>  |                            |                            |                            |
| Property Taxes   | \$ 1,265,460               | \$ 1,118,005               | \$ 1,122,530               |
| Penalty and Interest   | 50,728                     | 47,411                     | 54,940                     |
| Investment and Miscellaneous Revenues                        | <u>7,205</u>               | <u>1,704</u>               | <u>13,619</u>              |
| <b>TOTAL REVENUES</b>  | <u><u>\$ 1,323,393</u></u> | <u><u>\$ 1,167,120</u></u> | <u><u>\$ 1,191,089</u></u> |
| <b>EXPENDITURES</b>  |                            |                            |                            |
| Tax Collection Expenditures                                  | \$ 73,096                  | \$ 77,993                  | \$ 62,335                  |
| Debt Service Principal                                       | 745,000                    | 685,000                    | 625,000                    |
| Debt Service Interest and Fees                               | 490,263                    | 414,411                    | 519,396                    |
| Bond Issuance Costs  | <u>162,927</u>             |                            |                            |
| <b>TOTAL EXPENDITURES</b>                                    | <u><u>\$ 1,308,359</u></u> | <u><u>\$ 1,340,331</u></u> | <u><u>\$ 1,206,731</u></u> |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u><u>\$ 15,034</u></u>    | <u><u>\$ (173,211)</u></u> | <u><u>\$ (15,642)</u></u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                            |                            |
| Refunding Bond Proceeds                                      | \$                         | \$ 2,619,997               | \$                         |
| Transfer to Refund Bond Escrow Agent                         |                            | (2,679,803)                |                            |
| Bond Discount  | <u>216,397</u>             |                            |                            |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <u><u>\$ - 0 -</u></u>     | <u><u>\$ 156,591</u></u>   | <u><u>\$ - 0 -</u></u>     |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <u><u>\$ 15,034</u></u>    | <u><u>\$ (16,620)</u></u>  | <u><u>\$ (15,642)</u></u>  |
| <b>BEGINNING FUND BALANCE</b>                                | <u><u>667,928</u></u>      | <u><u>684,548</u></u>      | <u><u>700,190</u></u>      |
| <b>ENDING FUND BALANCE</b>                                   | <u><u>\$ 682,962</u></u>   | <u><u>\$ 667,928</u></u>   | <u><u>\$ 684,548</u></u>   |
| <b>TOTAL ACTIVE RETAIL WATER<br/>CONNECTIONS</b>             | <u><u>1,125</u></u>        | <u><u>1,182</u></u>        | <u><u>1,178</u></u>        |
| <b>TOTAL ACTIVE RETAIL WASTEWATER<br/>CONNECTIONS</b>        | <u><u>1,147</u></u>        | <u><u>1,153</u></u>        | <u><u>1,150</u></u>        |

See accompanying independent auditor's report.

|                     |                     | Percentage of Total Revenues |  |                |                |                |                |                |
|---------------------|---------------------|------------------------------|--|----------------|----------------|----------------|----------------|----------------|
| 2019                |                     | 2018                         |  | 2022           | 2021           | 2020           | 2019           | 2018           |
| \$ 1,114,059        | \$ 1,162,549        |                              |  | 95.7 %         | 95.8 %         | 94.3 %         | 95.2 %         | 95.8 %         |
| 32,295              | 35,671              |                              |  | 3.8            | 4.1            | 4.6            | 2.8            | 2.9            |
| 23,787              | 16,244              |                              |  | 0.5            | 0.1            | 1.1            | 2.0            | 1.3            |
| <u>\$ 1,170,141</u> | <u>\$ 1,214,464</u> |                              |  | <u>100.0</u> % |
| <br>                |                     |                              |  |                |                |                |                |                |
| \$ 57,558           | \$ 61,645           |                              |  | 5.5 %          | 6.7 %          | 5.2 %          | 4.9 %          | 5.1 %          |
| 610,000             | 595,000             |                              |  | 56.3           | 58.7           | 52.5           | 52.1           | 49.0           |
| 536,261             | 544,155             |                              |  | 37.0           | 35.5           | 43.6           | 45.8           | 44.8           |
| <u>\$ 1,203,819</u> | <u>\$ 1,200,800</u> |                              |  | <u>14.0</u>    |                |                |                |                |
| <u>\$ (33,678)</u>  | <u>\$ 13,664</u>    |                              |  | <u>98.8</u> %  | <u>114.9</u> % | <u>101.3</u> % | <u>102.8</u> % | <u>98.9</u> %  |
| <br>                |                     |                              |  |                |                |                |                |                |
| \$                  | \$                  |                              |  |                |                |                |                |                |
| <u>\$ - 0 -</u>     | <u>\$ - 0 -</u>     |                              |  |                |                |                |                |                |
| \$ (33,678)         | \$ 13,664           |                              |  |                |                |                |                |                |
| <u>733,868</u>      | <u>720,204</u>      |                              |  |                |                |                |                |                |
| <u>\$ 700,190</u>   | <u>\$ 733,868</u>   |                              |  |                |                |                |                |                |
| <u>1,156</u>        | <u>1,129</u>        |                              |  |                |                |                |                |                |
| <u>1,133</u>        | <u>1,149</u>        |                              |  |                |                |                |                |                |

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2022**

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

| <b>Board Members</b> | <u>Term of Office<br/>(Elected or Appointed)</u> | <u>Fees of Office<br/>for the<br/>year ended<br/>September 30, 2022</u> | <u>Expense<br/>Reimbursements<br/>for the<br/>year ended<br/>September 30, 2022</u> |     | <u>Title</u>                      |
|----------------------|--|---|---|-----|-----------------------------------|
|                      |  |   | \$  | -0- |                                   |
| Wayne Stringer       | 05/22<br>05/26<br>(Elected)                      | \$ 2,400  | \$  | -0- | President                         |
| Christine Rife       | 11/20<br>05/24<br>(Elected)                      | \$ 2,250  | \$  | -0- | Vice President                    |
| Nicole Garner        | 05/22<br>05/26<br>(Elected)                      | \$ 1,050  | \$  | -0- | Treasurer                         |
| Nancy Loring         | 05/22<br>05/26<br>(Elected)                      | \$ 1,050  | \$  | -0- | Secretary                         |
| Jeffrey Crump        | 08/22<br>05/24<br>(Appointed)                    | \$ 450  | \$  | -0- | Assistant Secretary/<br>Treasurer |

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 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, 2022**

| <b>Consultants:</b>                                 | <b>Date Hired</b> | <b>Fees for the<br/>year ended</b> |  | <b>Title</b>               |
|---|-------------------|------------------------------------|--|----------------------------|
|   |                   | <b>September 30, 2022</b>          |  |                            |
| Michael A. Cole, P.C.                               | 03/30/83          | \$ 49,263                          |  | General Counsel            |
| McCall Gibson Swedlund Barfoot PLLC                 | 09/14/10          | \$ 16,250                          |  | Audit Related              |
| Clarity Consulting Group                            | 01/18/22          | \$ 23,820                          |  | Bookkeeper                 |
| Precision Utility                                   | 08/19/14          | \$ 6,525                           |  | Prior<br>Bookkeeper        |
| Perdue, Brandon, Fielder, Collins & Mott,<br>L.L.P. | 1986              | \$ 14,623                          |  | Delinquent Tax<br>Attorney |
| AEI Engineering, LLC                                | 11/20/90          | \$ 357,316                         |  | Engineer                   |
| Blitch Associates, Inc.                             | 11/10/09          | \$ -0-                             |  | Financial Advisor          |
| Utility Tax Services                                | 05/13/14          | \$ 24,633                          |  | Tax Assessor/<br>Collector |

See accompanying independent auditor's report.

