

**Montgomery County Municipal  
Utility District No. 88  
Montgomery County, Texas**

**Independent Auditor's Report  
and Financial Statements**

**August 31, 2022**



**Montgomery County Municipal Utility District No. 88**  
**August 31, 2022**

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## Independent Auditor's Report

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

### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 88 (the District), as of and for the year ended August 31, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of August 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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.

### ***Emphasis of Matter***

As discussed in Note 10 to the financial statements, in 2022, the District adopted the new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 budgetary comparison schedule, as listed in the table of contents, 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.

***Other Information***

Management is responsible for the other information included in the basic financial statements. The other information comprises schedules required by the Texas Commission on Environmental Quality as listed in the table of contents. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**FORVIS,LLP**

Houston, Texas  
January 7, 2023

# Montgomery County Municipal Utility District No. 88

## Management's Discussion and Analysis

### August 31, 2022

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### **Government-wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

**Montgomery County Municipal Utility District No. 88**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2022**

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

**Fund Financial Statements**

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

**Governmental Funds**

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

**Notes to Financial Statements**

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

**Montgomery County Municipal Utility District No. 88**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2022**

**Financial Analysis of the District as a Whole**

Effective September 1, 2021, the District adopted new accounting and financial reporting guidance, Governmental Accounting Standards Board Statement No. 87 (Statement No. 87), *Leases*.

Statement No. 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessees' statement of net position. In the activity statement, lessees no longer report lease expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. The District's 2021 summarized financial information presented below has not been restated to reflect the adoption of Statement No. 87 because single-year presentation is included in the basic financial statements.

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

**Summary of Net Position**

	<b><u>2022</u></b>	<b><u>2021</u></b>
Current and other assets	\$ 7,776,311	\$ 6,702,560
Capital and lease assets	<u>15,998,477</u>	<u>15,565,478</u>
Total assets	<u>23,774,788</u>	<u>22,268,038</u>
Deferred outflows of resources	<u>45,117</u>	<u>47,897</u>
Total assets and deferred outflows of resources	<u>\$ 23,819,905</u>	<u>\$ 22,315,935</u>
Long-term liabilities	\$ 19,738,094	\$ 19,788,954
Other liabilities	<u>541,551</u>	<u>320,585</u>
Total liabilities	<u>20,279,645</u>	<u>20,109,539</u>
Net position:		
Net investment in capital assets	(2,811,022)	(3,205,799)
Restricted	1,471,210	1,536,406
Unrestricted	<u>4,880,072</u>	<u>3,875,789</u>
Total net position	<u>\$ 3,540,260</u>	<u>\$ 2,206,396</u>

The total net position of the District increased by \$1,333,864 or about 60 percent. The majority of the increase in net position is related to property tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the



**Montgomery County Municipal Utility District No. 88**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2022**

District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Changes in Net Position**

	<b>2022</b>	<b>2021</b>
Revenues:		
Property taxes	\$ 3,732,337	\$ 3,302,174
Charges for services	1,086,228	852,426
Other revenues	66,818	279,688
	<hr/>	<hr/>
Total revenues	4,885,383	4,434,288
	<hr/>	<hr/>
Expenses:		
Services	2,008,145	1,894,418
Depreciation and amortization	784,504	559,798
Debt service	758,870	838,867
	<hr/>	<hr/>
Total expenses	3,551,519	3,293,083
	<hr/>	<hr/>
Change in net position	1,333,864	1,141,205
Net position, beginning of year	2,206,396	1,065,191
	<hr/>	<hr/>
Net position, end of year	<u>\$ 3,540,260</u>	<u>\$ 2,206,396</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended August 31, 2022, were \$7,277,126, an increase of \$922,515 from the prior year.

The general fund's fund balance increased by \$1,063,603, primarily due to property tax and service revenues exceeding service operation expenditures.

The debt service fund's fund balance decreased by \$53,348 due to principal and interest requirements and contracted services expenditures exceeding property tax revenues.

The capital projects fund's fund balance decreased by \$87,740 due to capital outlay expenditures.

**Montgomery County Municipal Utility District No. 88**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2022**

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax and surface water conversion revenues and contracted services and repairs and maintenance expenditures being greater than anticipated, as well as sewer service revenues and purchased services expenditures being less than anticipated. The fund balance as of August 31, 2022, was expected to be \$4,600,137 and the actual end-of-year fund balance was \$4,926,689.

**Capital and Lease Assets and Related Debt**

Capital and Lease Assets

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

**Capital and Lease Assets (Net of Accumulated Depreciation and Amortization)**

	<b>2022</b>	<b>2021</b>
Land and improvements	\$ 745,024	\$ 671,640
Construction in progress	20,593	-
Water facilities	2,677,570	2,796,549
Wastewater facilities	5,752,379	5,989,326
Drainage facilities	5,853,605	6,054,821
Recreational facilities	50,485	53,142
Lease assets	898,821	-
Total capital and lease assets	\$ 15,998,477	\$ 15,565,478

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

Legends Ranch central detention pond	\$ 73,384
Construction in progress related to the permanent wastewater treatment plant	20,593
Total additions to capital and lease assets	\$ 93,977

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2022, are summarized as follows.

**Montgomery County Municipal Utility District No. 88**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2022**

Long-term debt payable, beginning of year	\$	20,859,680
Decreases in long-term debt		<u>(1,121,586)</u>
Long-term debt payable, end of year	\$	<u>19,738,094</u>

At August 31, 2022, the District had \$38,970,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, construction and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "Baa2" from Moody's Investors Service (Moody's). The Series 2016, 2018, 2020 refunding and 2021 bonds carry a "AA" rating from Standard & Poor's and an "A1" rating from Moody's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2017 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

**Other Relevant Factors**

Relationship to the City of Houston

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

**Montgomery County Municipal Utility District No. 88**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**August 31, 2022**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 4,890,720	\$ 1,276,897	\$ 841,649	\$ 7,009,266	\$ -	\$ 7,009,266
Certificates of deposit	356,804	213,788	-	570,592	-	570,592
Receivables:						
Property taxes	6,183	4,251	-	10,434	-	10,434
Service accounts	124,460	-	-	124,460	-	124,460
Accrued interest	1,232	489	-	1,721	-	1,721
Interfund receivables	35,475	4,412	53,236	93,123	(93,123)	-
Due from others	46,910	-	-	46,910	-	46,910
Prepaid expenditures	65,728	-	-	65,728	(52,800)	12,928
Capital and lease assets (net of accumulated depreciation and amortization):						
Land and improvements	-	-	-	-	745,024	745,024
Construction in progress	-	-	-	-	20,593	20,593
Infrastructure	-	-	-	-	14,283,554	14,283,554
Recreational facilities	-	-	-	-	50,485	50,485
Lease assets	-	-	-	-	898,821	898,821
<b>Total assets</b>	<b>5,527,512</b>	<b>1,499,837</b>	<b>894,885</b>	<b>7,922,234</b>	<b>15,852,554</b>	<b>23,774,788</b>
<b>Deferred Outflows of Resources</b>						
Deferred amount on debt refundings	0	0	0	0	45,117	45,117
<b>Total assets and deferred outflows of resources</b>	<b>\$ 5,527,512</b>	<b>\$ 1,499,837</b>	<b>\$ 894,885</b>	<b>\$ 7,922,234</b>	<b>\$ 15,897,671</b>	<b>\$ 23,819,905</b>

**Montgomery County Municipal Utility District No. 88**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**August 31, 2022**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>						
Accounts payable	\$ 240,853	\$ 4,559	\$ -	\$ 245,412	\$ -	\$ 245,412
Customer deposits	122,853	-	-	122,853	-	122,853
Due to others	173,286	-	-	173,286	-	173,286
Interfund payables	57,648	35,475	-	93,123	(93,123)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,171,304	1,171,304
Due after one year	-	-	-	-	18,566,790	18,566,790
Total liabilities	<u>594,640</u>	<u>40,034</u>	<u>0</u>	<u>634,674</u>	<u>19,644,971</u>	<u>20,279,645</u>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	<u>6,183</u>	<u>4,251</u>	<u>0</u>	<u>10,434</u>	<u>(10,434)</u>	<u>0</u>
<b>Fund Balances/Net Position</b>						
Fund balances:						
Nonspendable, prepaid expenditures	65,728	-	-	65,728	(65,728)	-
Restricted:						
Unlimited tax bonds	-	1,455,552	-	1,455,552	(1,455,552)	-
Water, sewer and drainage	-	-	894,885	894,885	(894,885)	-
Assigned, operating reserve	34,330	-	-	34,330	(34,330)	-
Unassigned	<u>4,826,631</u>	<u>-</u>	<u>-</u>	<u>4,826,631</u>	<u>(4,826,631)</u>	<u>-</u>
Total fund balances	<u>4,926,689</u>	<u>1,455,552</u>	<u>894,885</u>	<u>7,277,126</u>	<u>(7,277,126)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,527,512</u>	<u>\$ 1,499,837</u>	<u>\$ 894,885</u>	<u>\$ 7,922,234</u>		
Net position:						
Net investment in capital assets					(2,811,022)	(2,811,022)
Restricted for debt service					1,459,803	1,459,803
Restricted for capital projects					11,407	11,407
Unrestricted					<u>4,880,072</u>	<u>4,880,072</u>
Total net position					<u>\$ 3,540,260</u>	<u>\$ 3,540,260</u>

**Montgomery County Municipal Utility District No. 88**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended August 31, 2022**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 2,217,795	\$ 1,531,472	\$ -	\$ 3,749,267	\$ (16,930)	\$ 3,732,337
Water service	256,392	-	-	256,392	-	256,392
Sewer service	399,017	-	-	399,017	-	399,017
Regional water fee	430,819	-	-	430,819	-	430,819
Penalty and interest	11,296	27,967	-	39,263	-	39,263
Interest income	1,674	592	90	2,356	-	2,356
Other income	25,199	-	-	25,199	-	25,199
	<u>3,342,192</u>	<u>1,560,031</u>	<u>90</u>	<u>4,902,313</u>	<u>(16,930)</u>	<u>4,885,383</u>
<b>Expenditures/Expenses</b>						
Service operations:						
Purchased services	747,073	-	-	747,073	-	747,073
Professional fees	202,346	9,192	-	211,538	12,918	224,456
Contracted services	487,112	43,088	-	530,200	-	530,200
Utilities	45,612	-	-	45,612	-	45,612
Repairs and maintenance	359,779	-	-	359,779	-	359,779
Tap connections	40	-	-	40	-	40
Other expenditures	94,984	4,473	1,528	100,985	-	100,985
Capital outlay	20,593	-	86,302	106,895	(106,895)	-
Depreciation and amortization	-	-	-	-	784,504	784,504
Debt service:						
Principal retirement	-	905,000	-	905,000	(905,000)	-
Interest and fees	-	651,626	-	651,626	102,994	754,620
Lease payments	316,800	-	-	316,800	(316,800)	-
Debt issuance costs	4,250	-	-	4,250	-	4,250
	<u>2,278,589</u>	<u>1,613,379</u>	<u>87,830</u>	<u>3,979,798</u>	<u>(428,279)</u>	<u>3,551,519</u>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over Expenditures</b>	1,063,603	(53,348)	(87,740)	922,515	(922,515)	
<b>Change in Net Position</b>					1,333,864	1,333,864
<b>Fund Balances/Net Position</b>						
Beginning of year	<u>3,863,086</u>	<u>1,508,900</u>	<u>982,625</u>	<u>6,354,611</u>	<u>-</u>	<u>2,206,396</u>
End of year	<u>\$ 4,926,689</u>	<u>\$ 1,455,552</u>	<u>\$ 894,885</u>	<u>\$ 7,277,126</u>	<u>\$ 0</u>	<u>\$ 3,540,260</u>

# Montgomery County Municipal Utility District No. 88

## Notes to Financial Statements

### August 31, 2022

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

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

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

#### ***Reporting Entity***

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

#### ***Government-wide and Fund Financial Statements***

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

# Montgomery County Municipal Utility District No. 88

## Notes to Financial Statements

### August 31, 2022

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

*General Fund* – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

*Debt Service Fund* – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

*Capital Projects Fund* – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

#### **Fund Balances – Governmental Funds**

The fund balances for the District's governmental funds can be displayed in up to five components:

*Nonspendable* – Amounts that are not in a spendable form or are required to be maintained intact.

*Restricted* – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed* – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

*Assigned* – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned* – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.



**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2022**

***Measurement Focus and Basis of Accounting***

**Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

**Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

***Deferred Outflows and Inflows of Resources***

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2022**

***Interfund Transactions***

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

***Pension Costs***

The District does not participate in a pension plan and, therefore, has no pension costs.

***Use of Estimates***

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

***Investments and Investment Income***

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

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

***Property Taxes***

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2022**

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2022, include collections during the current period or within 60 days of year-end related to the 2021 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2022, the 2021 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<b>Years</b>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Recreational facilities	10-25

**Lease Assets**

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2022**

***Deferred Amount on Debt Refundings***

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

***Debt Issuance Costs***

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Net Position/Fund Balances***

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

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

***Reconciliation of Government-wide and Fund Financial Statements***

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because of the following.

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2022**

Capital and lease assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 15,998,477
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	10,434
Prepaid lease expenditures are not reported as assets in the statement of net position.	(52,800)
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	45,117
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(19,738,094)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (3,736,866)</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ 922,515
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortized expense and noncapitalized costs exceeded capital outlay expenditures in the current year.	(690,527)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	1,221,800
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	(16,930)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(102,994)</u>
Change in net position of governmental activities.	<u><u>\$ 1,333,864</u></u>

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2022**

**Note 2: Deposits and Investments**

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At August 31, 2022, none of the District's bank balances were exposed to custodial credit risk.

***Investments***

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

At August 31, 2022, the District had no investments, other than certificates of deposit.

***Investment Income***

Investment income of \$2,356 for the year ended August 31, 2022, consisted of interest income.

**Note 3: Capital and Lease Assets**

A summary of changes in capital and lease assets for the year ended August 31, 2022, is presented below.

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2022**

<b>Governmental Activities</b>	<b>Balances, Beginning of Year, Restated</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:			
Land and improvements	\$ 671,640	\$ 73,384	\$ 745,024
Construction in progress	-	20,593	20,593
	<u>671,640</u>	<u>93,977</u>	<u>765,617</u>
Total capital assets, non-depreciable	<u>671,640</u>	<u>93,977</u>	<u>765,617</u>
Capital and lease assets, depreciable and amortizable:			
Water production and distribution facilities	3,756,374	-	3,756,374
Wastewater collection and treatment facilities	7,708,683	-	7,708,683
Drainage facilities	7,756,946	-	7,756,946
Recreational facilities	66,427	-	66,427
Lease asset - equipment	1,123,526	-	1,123,526
	<u>20,411,956</u>	<u>0</u>	<u>20,411,956</u>
Total capital and lease assets, depreciable and amortizable	<u>20,411,956</u>	<u>0</u>	<u>20,411,956</u>
Less accumulated depreciation and amortization:			
Water production and distribution facilities	(959,825)	(118,979)	(1,078,804)
Wastewater collection and treatment facilities	(1,719,357)	(236,947)	(1,956,304)
Drainage facilities	(1,702,125)	(201,216)	(1,903,341)
Recreational facilities	(13,285)	(2,657)	(15,942)
Lease asset - equipment	-	(224,705)	(224,705)
	<u>(4,394,592)</u>	<u>(784,504)</u>	<u>(5,179,096)</u>
Total accumulated depreciation and amortization	<u>(4,394,592)</u>	<u>(784,504)</u>	<u>(5,179,096)</u>
Total governmental activities, net	<u>\$ 16,689,004</u>	<u>\$ (690,527)</u>	<u>\$ 15,998,477</u>

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended August 31, 2022, were as follows.

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2022**

<b>Governmental Activities</b>	<b>Balances, Beginning of Year, Restated</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:				
General obligation bonds	\$ 20,275,000	\$ 905,000	\$ 19,370,000	\$ 920,000
Less discounts on bonds	486,046	20,999	465,047	-
	19,788,954	884,001	18,904,953	920,000
Lease liability	1,070,726	237,585	833,141	251,304
Total governmental activities long-term liabilities	<u>\$ 20,859,680</u>	<u>\$ 1,121,586</u>	<u>\$ 19,738,094</u>	<u>\$ 1,171,304</u>

**General Obligation Bonds**

	<b>Series 2014</b>	<b>Series 2016</b>
Amounts outstanding, August 31, 2022	\$2,000,000	\$4,130,000
Interest rates	2.000% to 4.125%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2023/2036	September 1, 2023/2039
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2022	September 1, 2023
	<b>Series 2017</b>	<b>Series 2018</b>
Amounts outstanding, August 31, 2022	\$4,000,000	\$5,050,000
Interest rates	2.00% to 3.50%	4.00% to 6.00%
Maturity dates, serially beginning/ending	September 1, 2023/2040	September 1, 2023/2042
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2024	September 1, 2024

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



**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2022**

	<b>Refunding Series 2020</b>	<b>Series 2021</b>
Amounts outstanding, August 31, 2022	\$1,940,000	\$2,250,000
Interest rates	2.00% to 3.00%	1.000% to 2.125%
Maturity dates, serially beginning/ending	September 1, 2023/2035	September 1, 2023/2042
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2026	September 1, 2026

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

***Annual Debt Service Requirements***

The District has been paying the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2022:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 920,000	\$ 617,237	\$ 1,537,237
2024	930,000	593,169	1,523,169
2025	945,000	568,619	1,513,619
2026	960,000	544,469	1,504,469
2027	875,000	519,193	1,394,193
2028-2032	4,565,000	2,208,410	6,773,410
2033-2037	4,985,000	1,480,787	6,465,787
2038-2042	5,190,000	568,231	5,758,231
Total	<u>\$ 19,370,000</u>	<u>\$ 7,100,115</u>	<u>\$ 26,470,115</u>

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

Bonds voted	\$ 63,090,000
Bonds sold	24,120,000
Refunding bonds voted	41,000,000
Refunding bonds authorization used	120,000

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2022**

***Lease Liability***

The following schedule shows the annual lease requirements to pay principal and interest on the lease liability outstanding at August 31, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 251,304	\$ 65,496	\$ 316,800
2024	188,222	44,578	232,800
2025	187,894	28,106	216,000
2026	<u>205,721</u>	<u>10,279</u>	<u>216,000</u>
Total	<u>\$ 833,141</u>	<u>\$ 148,459</u>	<u>\$ 981,600</u>

**Note 5: Significant Bond Resolution and Commission Requirements**

- A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2022, the District levied an ad valorem debt service tax at the rate of \$0.5500 per \$100 of assessed valuation, which resulted in a tax levy of \$1,522,118 on the taxable valuation of \$276,748,475 for the 2021 tax year. The interest and principal requirements paid from the tax revenues and available resources were \$1,548,738.
- B. The Commission required the District to escrow \$75,676 from the proceeds of its Series 2017 bonds. During the current year the entire balance of \$75,676 was released from escrow.

**Note 6: Maintenance Taxes**

At an election held May 3, 2003, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended August 31, 2022, the District levied an ad valorem maintenance tax at the rate of \$0.8000 per \$100 of assessed valuation, which resulted in a tax levy of \$2,213,989 on the taxable valuation of \$276,748,475 for the 2021 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

**Note 7: Wastewater Treatment Plant Lease**

On November 10, 2017, the District and AUC Group, LP, entered into an agreement for the lease of a wastewater treatment plant expansion to 0.3 MGD. The cost of the lease is \$26,400 per month. The term of the lease is 60 months following substantial completion of installation and startup of the equipment, which began November 1, 2018. After the initial term, the lease continues on a

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2022**

month-to-month basis with monthly lease payments of \$18,000. Lease expenditures during the fiscal year ended August 31, 2022, were \$316,800. In connection with this lease, at August 31, 2022, the District has prepaid \$52,800 for future rent.

**Note 8: Contracts With Other Districts**

***Storm Water Facilities Agreement***

On April 15, 2003, and as amended on April 20, 2020, the District, Montgomery County Municipal Utility District No. 89 (District No. 89) and Spring Creek Utility District (Spring Creek) entered into a cost-sharing agreement for the construction and financing of drainage and detention facilities. District No. 89 was responsible for the design and construction of the facilities, and Spring Creek owns and operates the facilities on behalf of the participants. Pump station facilities will be allocated based on each district's pro rata share of the ultimate acreage to be served by the facilities. Detention facilities will be allocated based upon platted acreage. Pro rata shares are as follows:

	<b>Pump Station Facilities</b>	<b>Detention Facilities</b>
The District	31.248 %	26.834 %
District No. 89	41.634	42.809
Spring Creek	27.118	30.357
Totals	100.00 %	100.00 %

The District incurred costs of \$272,770 during the current year. The District has contributed \$9,780 as its share of an operating reserve.

***Water Supply Agreement***

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

# **Montgomery County Municipal Utility District No. 88**

## **Notes to Financial Statements**

### **August 31, 2022**

District No. 89 is responsible for the operation and maintenance of the plant for the benefit of the participants. The participants share fixed operating costs, based on allocated capacity and variable costs based on each district's pro rata share of metered monthly usage. For the year ended August 31, 2022, the District's share of operating costs was \$134,015. The District has contributed \$24,550 as its share of an operating reserve.

#### ***Groundwater Reduction Agreement***

District No. 89 has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply and Related Goods and Services (GRP Contract) with the San Jacinto River Authority (the Authority) in order to meet the Lone Star Groundwater Conservation District (the Conservation District) requirements. As a participant in the Authority's Groundwater Reduction Plan, District No. 89 has complied with all current Conservation District requirements for surface water conversion and is obligated to pay to the Authority a groundwater withdrawal fee for all groundwater produced and used by District No. 89, and will be required to pay a water purchase fee for any water actually purchased from the Authority in the future. As of August 31, 2022, the Authority was billing District No. 89 \$2.88 per 1,000 gallons of water pumped. This rate is subject to future increases. The District pays its Authority fees indirectly through its Water Facilities Contract with District No. 89. District No. 89 began billing the participants in July 2010. During the year ended August 31, 2022, the District incurred \$340,288 for groundwater withdrawal fees.

#### ***Regional Water Authority***

The District is within the boundaries of the Conservation District, which was created by the Texas Legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of August 31, 2022, the Conservation District was billing District No. 89 \$0.085 per 1,000 gallons of water pumped from its wells. The District pays its Conservation District fees indirectly through its Water Facilities Contract with District No. 89. The Conservation District fee is subject to future increases.

#### ***Road Utilities Agreement***

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

District No. 89 holds title for the benefit of the participants. The District's share of construction costs of the road utilities were funded by contribution of funds from developers within the District. At August 31, 2022, the District's 50 percent ownership of the road utilities is recorded as a capital asset of the District.

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2022**

Operating costs are to be shared based on ownership. During the fiscal year ended August 31, 2022, the District was not billed for operating expenditures under the terms of the agreement.

**Note 9: Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

**Note 10: Adoption of New Accounting Standard**

Effective September 1, 2021, the District adopted new accounting and financial reporting guidance, Governmental Accounting Standards Board Statement No. 87 (Statement No. 87), *Leases*.

Statement No. 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessees' statement of net position. In the activity statement, lessees no longer report lease expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. As a result of the adoption of Statement No. 87, the District increased beginning capital and lease assets by \$1,123,526, decreased beginning prepaid expenses by \$52,800 and increased beginning long-term liabilities by \$1,070,726 as of September 1, 2021.

There was no effect on beginning net position as a result of the adoption of Statement No. 87.

## **Required Supplementary Information**

**Montgomery County Municipal Utility District No. 88**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended August 31, 2022**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Property taxes	\$ 1,583,798	\$ 1,583,798	\$ 2,217,795	\$ 633,997
Water service	250,000	250,000	256,392	6,392
Sewer service	485,000	656,000	399,017	(256,983)
Surface water conversion	348,000	348,000	430,819	82,819
Penalty and interest	8,500	8,500	11,296	2,796
Tap connection and inspection fees	40,000	40,000	-	(40,000)
Investment income	5,000	5,000	1,674	(3,326)
Other	-	-	25,199	25,199
<b>Total revenues</b>	<b>2,720,298</b>	<b>2,891,298</b>	<b>3,342,192</b>	<b>450,894</b>
<b>Expenditures</b>				
Service operations:				
Purchased services	830,582	830,582	747,073	83,509
Professional fees	189,100	189,100	202,346	(13,246)
Contracted services	345,400	345,400	487,112	(141,712)
Utilities	45,000	45,000	45,612	(612)
Repairs and maintenance	267,025	269,265	359,779	(90,514)
Other expenditures	103,100	103,100	94,984	8,116
Tap connections	55,000	55,000	40	54,960
Capital outlay	-	-	20,593	(20,593)
Debt service:				
Debt issuance costs	-	-	4,250	(4,250)
Lease payments	316,800	316,800	316,800	-
<b>Total expenditures</b>	<b>2,152,007</b>	<b>2,154,247</b>	<b>2,278,589</b>	<b>(124,342)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>568,291</b>	<b>737,051</b>	<b>1,063,603</b>	<b>326,552</b>
<b>Fund Balance, Beginning of Year</b>	<b>3,863,086</b>	<b>3,863,086</b>	<b>3,863,086</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 4,431,377</b>	<b>\$ 4,600,137</b>	<b>\$ 4,926,689</b>	<b>\$ 326,552</b>

**Montgomery County Municipal Utility District No. 88**  
**Notes to Required Supplementary Information**  
**August 31, 2022**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2022.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.



## **Other Information**

**Montgomery County Municipal Utility District No. 88**  
**Other Schedules Included Within This Report**  
**August 31, 2022**

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 13-27
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years
- [X] Board Members, Key Personnel and Consultants

# Montgomery County Municipal Utility District No. 88

## Schedule of Services and Rates

### Year Ended August 31, 2022

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 12.00	6,999	N	\$ 1.50	7,000 to 12,999
				\$ 1.75	13,000 to 20,000
				\$ 5.00	20,001 to No Limit
Wastewater:	\$ 31.27	0	Y		
Regional water fee:	\$ 0.085	1	N	\$ 0.085	1 to No Limit
SJRA fee	\$ 3.17	1	N	\$ 3.17	1 to No Limit
Does the District employ winter averaging for wastewater usage?				Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):			Water	\$ 50.55	Wastewater \$ 31.27

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	1,065	1,055	x1.0	1,055
1"	6	6	x2.5	15
1 1/2"	-	-	x5.0	-
2"	9	9	x8.0	72
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,080	1,070		1,142
Total wastewater	1,062	1,052	x1.0	1,052

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

Gallons pumped into the system:	189,214
Gallons billed to customers:	179,414
Water accountability ratio (gallons billed/gallons pumped):	94.82%

\*"ESFC" means equivalent single-family connections

**Montgomery County Municipal Utility District No. 88**  
**Schedule of General Fund Expenditures**  
**Year Ended August 31, 2022**

<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$	16,700	
Legal		85,410	
Engineering		100,236	
Financial advisor		-	202,346
		<hr/>	
<b>Purchased Services for Resale</b>			
Bulk water and wastewater service purchases			747,073
<b>Regional Water Fee</b>			-
<b>Contracted Services</b>			
Bookkeeping		14,404	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		203,609	
Other contracted services		47,184	265,197
		<hr/>	
<b>Utilities</b>			45,612
<b>Repairs and Maintenance</b>			359,779
<b>Administrative Expenditures</b>			
Directors' fees		7,800	
Office supplies		53,059	
Insurance		11,630	
Other administrative expenditures		22,495	94,984
		<hr/>	
<b>Capital Outlay</b>			
Capitalized assets		20,593	
Expenditures not capitalized		-	20,593
		<hr/>	
<b>Tap Connection Expenditures</b>			40
<b>Solid Waste Disposal</b>			221,915
<b>Debt Service, Lease Payments</b>			316,800
<b>Parks and Recreation</b>			-
<b>Other Expenditures</b>			4,250
			<hr/>
Total expenditures		\$	<u>2,278,589</u>

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Temporary Investments**  
**August 31, 2022**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Certificates of Deposit				
No. 1852002715	0.45%	10/08/22	\$ 108,385	\$ 437
No. 9590001196876811	0.40%	11/12/22	<u>248,419</u>	<u>795</u>
			356,804	1,232
<b>Debt Service Fund</b>				
Certificate of Deposit				
No. 13412	0.25%	10/01/22	<u>213,788</u>	<u>489</u>
Totals			<u>\$ 570,592</u>	<u>\$ 1,721</u>

**Montgomery County Municipal Utility District No. 88**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended August 31, 2022**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 12,703	\$ 14,661
Additions and corrections to prior years' taxes	(2,714)	(1,056)
Adjusted receivable, beginning of year	9,989	13,605
 <b>2021 Original Tax Levy</b>	 2,144,840	 1,474,578
Additions and corrections	69,149	47,540
Adjusted tax levy	2,213,989	1,522,118
Total to be accounted for	2,223,978	1,535,723
Tax collections: Current year	(2,207,806)	(1,517,867)
Prior years	(9,989)	(13,605)
Receivable, end of year	\$ 6,183	\$ 4,251
 <b>Receivable, by Years</b>		
2021	\$ 6,183	\$ 4,251

**Montgomery County Municipal Utility District No. 88**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended August 31, 2022**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Property Valuations</b>				
Land	\$ 37,590,800	\$ 37,488,320	\$ 35,108,650	\$ 34,967,050
Improvements	247,458,040	209,769,130	176,816,000	137,821,690
Personal property	1,820,014	2,576,109	2,532,321	2,113,608
Exemptions	<u>(10,120,379)</u>	<u>(7,955,534)</u>	<u>(5,378,750)</u>	<u>(3,433,473)</u>
Total property valuations	<u>\$ 276,748,475</u>	<u>\$ 241,878,025</u>	<u>\$ 209,078,221</u>	<u>\$ 171,468,875</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.5500	\$ 0.7100	\$ 0.7400	\$ 0.7800
Maintenance tax rates*	<u>0.8000</u>	<u>0.6600</u>	<u>0.6400</u>	<u>0.6000</u>
Total tax rates per \$100 valuation	<u>\$ 1.3500</u>	<u>\$ 1.3700</u>	<u>\$ 1.3800</u>	<u>\$ 1.3800</u>
<b>Tax Levy</b>	<u>\$ 3,736,107</u>	<u>\$ 3,313,729</u>	<u>\$ 2,885,279</u>	<u>\$ 2,366,270</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>	<u>99%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-term Debt Service Requirements by Years**  
**August 31, 2022**

Due During Fiscal Years Ending August 31	Series 2014		
	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 125,000	\$ 73,406	\$ 198,406
2024	125,000	69,656	194,656
2025	125,000	65,906	190,906
2026	130,000	62,156	192,156
2027	130,000	57,931	187,931
2028	130,000	53,381	183,381
2029	130,000	48,831	178,831
2030	130,000	44,120	174,120
2031	130,000	39,244	169,244
2032	130,000	34,370	164,370
2033	130,000	29,494	159,494
2034	130,000	24,131	154,131
2035	130,000	18,770	148,770
2036	325,000	13,406	338,406
Totals	\$ 2,000,000	\$ 634,802	\$ 2,634,802

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



**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2022**

Due During Fiscal Years Ending August 31	Series 2016		
	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 175,000	\$ 129,331	\$ 304,331
2024	180,000	125,613	305,613
2025	190,000	121,563	311,563
2026	195,000	116,813	311,813
2027	205,000	111,938	316,938
2028	210,000	105,787	315,787
2029	220,000	99,488	319,488
2030	230,000	92,887	322,887
2031	240,000	85,988	325,988
2032	250,000	78,487	328,487
2033	255,000	70,363	325,363
2034	270,000	62,075	332,075
2035	280,000	53,300	333,300
2036	290,000	43,850	333,850
2037	300,000	33,700	333,700
2038	315,000	23,200	338,200
2039	325,000	11,781	336,781
Totals	\$ 4,130,000	\$ 1,366,164	\$ 5,496,164

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2022**

Due During Fiscal Years Ending August 31	Series 2017		
	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 300,000	\$ 115,875	\$ 415,875
2024	300,000	109,875	409,875
2025	300,000	103,875	403,875
2026	300,000	97,125	397,125
2027	200,000	90,000	290,000
2028	200,000	84,750	284,750
2029	200,000	78,750	278,750
2030	200,000	72,750	272,750
2031	200,000	66,500	266,500
2032	200,000	60,250	260,250
2033	200,000	54,000	254,000
2034	200,000	47,500	247,500
2035	200,000	41,000	241,000
2036	200,000	34,500	234,500
2037	200,000	28,000	228,000
2038	200,000	21,000	221,000
2039	200,000	14,000	214,000
2040	200,000	7,000	207,000
	\$ 4,000,000	\$ 1,126,750	\$ 5,126,750
Totals	\$ 4,000,000	\$ 1,126,750	\$ 5,126,750

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2022**

Due During Fiscal Years Ending August 31	Series 2018		
	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 100,000	\$ 210,563	\$ 310,563
2024	100,000	204,562	304,562
2025	100,000	198,563	298,563
2026	100,000	194,562	294,562
2027	100,000	190,562	290,562
2028	100,000	186,563	286,563
2029	100,000	182,562	282,562
2030	100,000	178,563	278,563
2031	100,000	174,563	274,563
2032	100,000	170,563	270,563
2033	100,000	166,562	266,562
2034	100,000	162,562	262,562
2035	100,000	158,563	258,563
2036	100,000	154,562	254,562
2037	450,000	150,562	600,562
2038	450,000	132,000	582,000
2039	450,000	113,438	563,438
2040	750,000	94,875	844,875
2041	775,000	63,937	838,937
2042	775,000	31,969	806,969
Totals	<u>\$ 5,050,000</u>	<u>\$ 3,120,656</u>	<u>\$ 8,170,656</u>

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2022**

<b>Due During Fiscal Years Ending August 31</b>	<b>Refunding Series 2020</b>		
	<b>Principal Due September 1</b>	<b>Interest Due September 1, March 1</b>	<b>Total</b>
2023	\$ 120,000	\$ 46,500	\$ 166,500
2024	125,000	42,900	167,900
2025	130,000	39,150	169,150
2026	135,000	35,250	170,250
2027	140,000	31,200	171,200
2028	145,000	28,400	173,400
2029	150,000	25,500	175,500
2030	150,000	22,500	172,500
2031	160,000	19,500	179,500
2032	160,000	16,300	176,300
2033	170,000	12,700	182,700
2034	175,000	8,875	183,875
2035	<u>180,000</u>	<u>4,500</u>	<u>184,500</u>
Totals	<u>\$ 1,940,000</u>	<u>\$ 333,275</u>	<u>\$ 2,273,275</u>

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2022**

Due During Fiscal Years Ending August 31	Series 2021		
	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 100,000	\$ 41,562	\$ 141,562
2024	100,000	40,563	140,563
2025	100,000	39,562	139,562
2026	100,000	38,563	138,563
2027	100,000	37,562	137,562
2028	100,000	35,563	135,563
2029	100,000	33,562	133,562
2030	100,000	31,563	131,563
2031	100,000	29,562	129,562
2032	100,000	27,563	127,563
2033	100,000	25,562	125,562
2034	100,000	23,563	123,563
2035	100,000	21,562	121,562
2036	100,000	19,563	119,563
2037	100,000	17,562	117,562
2038	100,000	15,563	115,563
2039	100,000	13,562	113,562
2040	100,000	11,563	111,563
2041	225,000	9,562	234,562
2042	225,000	4,781	229,781
	Totals	\$ 2,250,000	\$ 518,468
		\$ 2,250,000	\$ 518,468
			\$ 2,768,468

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2022**

<b>Due During Fiscal Years Ending August 31</b>	<b>Annual Requirements For All Series</b>		
	<b>Total Principal Due</b>	<b>Total Interest Due</b>	<b>Total Principal and Interest Due</b>
2023	\$ 920,000	\$ 617,237	\$ 1,537,237
2024	930,000	593,169	1,523,169
2025	945,000	568,619	1,513,619
2026	960,000	544,469	1,504,469
2027	875,000	519,193	1,394,193
2028	885,000	494,444	1,379,444
2029	900,000	468,693	1,368,693
2030	910,000	442,383	1,352,383
2031	930,000	415,357	1,345,357
2032	940,000	387,533	1,327,533
2033	955,000	358,681	1,313,681
2034	975,000	328,706	1,303,706
2035	990,000	297,695	1,287,695
2036	1,015,000	265,881	1,280,881
2037	1,050,000	229,824	1,279,824
2038	1,065,000	191,763	1,256,763
2039	1,075,000	152,781	1,227,781
2040	1,050,000	113,438	1,163,438
2041	1,000,000	73,499	1,073,499
2042	1,000,000	36,750	1,036,750
Totals	<u>\$ 19,370,000</u>	<u>\$ 7,100,115</u>	<u>\$ 26,470,115</u>

**Montgomery County Municipal Utility District No. 88**  
**Changes in Long-term Bonded Debt**  
**Year Ended August 31, 2022**

	<b>Bond</b>		
	<b>Series 2012</b>	<b>Series 2014</b>	<b>Series 2016</b>
Interest rates	3.00%	2.000% to 4.125%	2.00% to 4.00%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates		September 1, 2023/2036	September 1, 2023/2039
Bonds outstanding, beginning of current year	\$ 100,000	\$ 2,125,000	\$ 4,295,000
Retirements, principal	100,000	125,000	165,000
Bonds outstanding, end of current year	\$ 0	\$ 2,000,000	\$ 4,130,000
Interest paid during current year	\$ 3,000	\$ 77,156	\$ 132,631

Paying agent's name and address:

<b>Series 2012</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2014</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2016</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2017</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2018</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2020</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2021</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 63,090,000	0	\$ 41,000,000
Amount issued	\$ 24,120,000	0	\$ 120,000
Remaining to be issued	\$ 38,970,000	0	\$ 40,880,000
Debt service fund cash and temporary investment balances as of August 31, 2022:			\$ 1,490,685
Average annual debt service payment (principal and interest) for remaining term of all debt:			\$ 1,323,506

**Issues**

<b>Series 2017</b>	<b>Series 2018</b>	<b>Refunding Series 2020</b>	<b>Series 2021</b>	<b>Totals</b>
2.00% to 3.50%	4.00% to 6.00%	2.00% to 3.00%	1.000% to 2.125%	
September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	
September 1, 2023/2040	September 1, 2023/2042	September 1, 2023/2035	September 1, 2023/2042	
\$ 4,300,000	\$ 5,150,000	\$ 1,955,000	\$ 2,350,000	\$ 20,275,000
<u>300,000</u>	<u>100,000</u>	<u>15,000</u>	<u>100,000</u>	<u>905,000</u>
<u>\$ 4,000,000</u>	<u>\$ 5,050,000</u>	<u>\$ 1,940,000</u>	<u>\$ 2,250,000</u>	<u>\$ 19,370,000</u>
<u>\$ 124,875</u>	<u>\$ 216,563</u>	<u>\$ 46,950</u>	<u>\$ 42,563</u>	<u>\$ 643,738</u>



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

	Amounts				
	2022	2021	2020	2019	2018
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 2,217,795	\$ 1,584,783	\$ 1,349,693	\$ 1,020,388	\$ 873,994
Water service	256,392	162,308	228,835	185,201	182,952
Sewer service	399,017	345,994	374,811	335,031	283,903
Regional water fees	430,819	344,124	351,419	259,945	280,289
Penalty and interest	11,296	6,282	5,702	9,063	6,653
Tap connection and inspection fees	-	25,610	118,160	124,223	263,745
Investment income	1,674	5,505	24,203	19,874	8,086
Other income	25,199	21,093	26,490	20,531	17,897
Total revenues	<u>3,342,192</u>	<u>2,495,699</u>	<u>2,479,313</u>	<u>1,974,256</u>	<u>1,917,519</u>
<b>Expenditures</b>					
Service operations:					
Purchased services	747,073	560,336	458,651	363,218	526,373
Professional fees	202,346	181,709	172,360	193,004	155,186
Contracted services	487,112	295,270	286,083	260,307	215,652
Utilities	45,612	43,908	42,381	38,290	31,415
Repairs and maintenance	359,779	257,279	707,999	255,754	208,868
Other expenditures	94,984	78,278	77,431	60,061	70,865
Tap connections	40	27,440	59,830	77,140	134,729
Capital outlay	20,593	35,819	60,653	61,090	93,067
Debt service:					
Lease payments	316,800	316,800	268,800	321,600	57,600
Debt issuance costs	4,250	3,500	45,030	-	38,750
Total expenditures	<u>2,278,589</u>	<u>1,800,339</u>	<u>2,179,218</u>	<u>1,630,464</u>	<u>1,532,505</u>
<b>Excess of Revenues Over Expenditures</b>	1,063,603	695,360	300,095	343,792	385,014
<b>Other Financing Sources</b>					
Interfund transfers in	-	455,480	-	38,750	38,210
<b>Excess of Revenues and Transfers In Over Expenditures and Transfers Out</b>	1,063,603	1,150,840	300,095	382,542	423,224
<b>Fund Balance, Beginning of Year</b>	<u>3,863,086</u>	<u>2,712,246</u>	<u>2,412,151</u>	<u>2,029,609</u>	<u>1,606,385</u>
<b>Fund Balance, End of Year</b>	<u>\$ 4,926,689</u>	<u>\$ 3,863,086</u>	<u>\$ 2,712,246</u>	<u>\$ 2,412,151</u>	<u>\$ 2,029,609</u>
<b>Total Active Retail Water Connections</b>	<u>1,070</u>	<u>1,072</u>	<u>1,059</u>	<u>962</u>	<u>861</u>
<b>Total Active Retail Wastewater Connections</b>	<u>1,052</u>	<u>1,052</u>	<u>1,043</u>	<u>957</u>	<u>846</u>

**Percent of Fund Total Revenues**

<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
66.3 %	63.5 %	54.4 %	51.7 %	45.6 %
7.7	6.5	9.2	9.4	9.5
12.0	13.9	15.1	16.9	14.8
12.9	13.8	14.2	13.2	14.6
0.3	0.3	0.2	0.5	0.4
-	1.0	4.8	6.3	13.8
0.1	0.2	1.0	1.0	0.4
0.7	0.8	1.1	1.0	0.9
100.0	100.0	100.0	100.0	100.0
22.4	22.4	18.5	18.4	27.4
6.0	7.3	7.0	9.8	8.1
14.6	11.8	11.5	13.2	11.3
1.4	1.8	1.7	1.9	1.6
10.8	10.3	28.6	13.0	10.9
2.8	3.1	3.1	3.0	3.7
0.0	1.1	2.4	3.9	7.0
0.6	1.4	2.5	3.1	4.9
9.5	12.7	10.8	16.3	3.0
0.1	0.2	1.8	-	2.0
68.2	72.1	87.9	82.6	79.9
31.8 %	27.9 %	12.1 %	17.4 %	20.1 %

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

	Amounts				
	2022	2021	2020	2019	2018
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,531,472	\$ 1,703,977	\$ 1,561,575	\$ 1,326,504	\$ 1,135,715
Penalty and interest	27,967	8,212	23,490	9,297	5,401
Investment income	592	2,280	9,416	18,156	10,661
Total revenues	<u>1,560,031</u>	<u>1,714,469</u>	<u>1,594,481</u>	<u>1,353,957</u>	<u>1,151,777</u>
<b>Expenditures</b>					
Current:					
Professional fees	9,192	1,152	4,320	1,067	2,355
Contracted services	43,088	40,579	36,590	47,508	16,518
Other expenditures	4,473	6,084	4,440	2,794	2,138
Debt service:					
Principal retirement	905,000	790,000	770,000	760,000	650,000
Interest and fees	651,626	647,141	661,641	637,566	451,985
Debt issuance costs	-	-	115,173	-	-
Debt defeasance	-	-	20,000	-	-
Total expenditures	<u>1,613,379</u>	<u>1,484,956</u>	<u>1,612,164</u>	<u>1,448,935</u>	<u>1,122,996</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(53,348)</u>	<u>229,513</u>	<u>(17,683)</u>	<u>(94,978)</u>	<u>28,781</u>
<b>Other Financing Sources (Uses)</b>					
General obligation bonds issued	-	-	1,965,000	-	-
Discount on debt issued	-	-	(4,378)	-	-
Deposit with escrow agent	-	-	(1,839,986)	-	-
Total other financing sources	<u>0</u>	<u>0</u>	<u>120,636</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(53,348)</u>	<u>229,513</u>	<u>102,953</u>	<u>(94,978)</u>	<u>28,781</u>
<b>Fund Balance, Beginning of Year</b>	<u>1,508,900</u>	<u>1,279,387</u>	<u>1,176,434</u>	<u>1,271,412</u>	<u>1,242,631</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,455,552</u>	<u>\$ 1,508,900</u>	<u>\$ 1,279,387</u>	<u>\$ 1,176,434</u>	<u>\$ 1,271,412</u>

**Percent of Fund Total Revenues**

<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
98.2 %	99.4 %	97.9 %	98.0 %	98.6 %
1.8	0.5	1.5	0.7	0.5
0.0	0.1	0.6	1.3	0.9
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.6	0.1	0.3	0.1	0.2
2.7	2.4	2.3	3.5	1.4
0.3	0.3	0.3	0.2	0.2
58.0	46.1	48.3	56.1	56.4
41.8	37.7	41.5	47.1	39.3
-	-	7.2	-	-
-	-	1.2	-	-
<u>103.4</u>	<u>86.6</u>	<u>101.1</u>	<u>107.0</u>	<u>97.5</u>
<u>(3.4) %</u>	<u>13.4 %</u>	<u>(1.1) %</u>	<u>(7.0) %</u>	<u>2.5 %</u>

**Montgomery County Municipal Utility District No. 88**  
**Board Members, Key Personnel and Consultants**  
**Year Ended August 31, 2022**

Complete District mailing address:	Montgomery County Municipal Utility District No. 88 c/o Mitchell & Zientek, LLP 24624 Interstate 45 North, Suite 200 The Woodlands, Texas 77386
District business telephone number:	281.719.1990
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	<u>December 1, 2020</u>
Limit on fees of office that a director may receive during a fiscal year:	<u>\$ 7,200</u>

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Ryan Temple	Elected 05/20- 05/24	\$ 1,200	\$ 0	President
Ryan Tsamouris	Elected 05/22- 05/26	2,700	0	Vice President
Jeremy Davis	Elected 05/20- 05/24	1,800	0	Secretary
Kent Doerries	Elected 05/22- 05/26	750	0	Assistant Secretary
Jacqueline Voss	Elected 05/22- 05/26	1,350	0	Director

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

**Montgomery County Municipal Utility District No. 88**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended August 31, 2022**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Bob Leared Interests	11/01/01	\$ 19,135	Tax Assessor/ Collector
FORVIS, LLP	07/07/11	20,200	Auditor
Masterson Advisors LLC	05/10/18	0	Financial Advisor
Mitchell & Zientek, LLP	08/13/20	100,914	Attorney
Montgomery Central Appraisal District	Legislative Action	28,426	Appraiser
Municipal Operations & Consulting, Inc.	06/04/15	175,123	Operator
Myrtle Cruz, Inc.	11/01/01	17,176	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/01/07	9,192	Delinquent Tax Attorney
Quiddity Engineering, LLC	07/05/12	148,966	Engineer
<b>Investment Officer</b>			
Mary Jarmon	11/01/01	N/A	Bookkeeper