

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
JUNE 30, 2024

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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
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal
Utility District No. 140
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 140 (the "District") as of and for the year ended June 30, 2024, 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 June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Board of Directors
Montgomery County Municipal Utility District No. 140

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 5, 2024

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

Management’s discussion and analysis of Montgomery County Municipal Utility District No. 140’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended June 30, 2024. 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 includes all of the District’s assets, liabilities and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current 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, operating 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 MUNICIPAL UTILITY DISTRICT NO. 140
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The 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”) and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, liabilities exceeded assets by \$17,722,863 as of June 30, 2024. A portion of the District’s net position reflects its net investment in capital assets (e.g. water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services. A comparative analysis of government-wide changes in the Statement of Net Position is presented below:

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

| | Summary of Changes in the Statement of Net Position | | |
|--|---|-----------------|----------------------------------|
| | 2024 | 2023 | Change Positive (Negative) |
| Current and Other Assets | \$ 3,332,663 | \$ 5,763,061 | \$ (2,430,398) |
| Capital Assets (Net of Accumulated Depreciation) | 13,672,951 | 13,929,762 | (256,811) |
| Total Assets | \$ 17,005,614 | \$ 19,692,823 | \$ (2,687,209) |
| Due to Developer | \$ 8,087,060 | \$ 17,445,630 | \$ 9,358,570 |
| Bonds Payable | 25,533,969 | 12,039,409 | \$ (13,494,560) |
| Other Liabilities | 1,107,448 | 4,652,012 | 3,544,564 |
| Total Liabilities | \$ 34,728,477 | \$ 34,137,051 | \$ (591,426) |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ (19,110,623) | \$ (15,014,781) | \$ (4,095,842) |
| Restricted | 1,098,299 | 689,078 | 409,221 |
| Unrestricted | 289,461 | (118,525) | 407,986 |
| Total Net Position | \$ (17,722,863) | \$ (14,444,228) | \$ (3,278,635) |

The following table provides a summary of the District's operations for the years ended June 30, 2024, and June 30, 2023.

| | Summary of Changes in the Statement of Activities | | |
|---------------------------------|---|-----------------|----------------------------------|
| | 2024 | 2023 | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | \$ 2,114,210 | \$ 511,279 | \$ 1,602,931 |
| Charges for Services | 1,605,821 | 998,759 | 607,062 |
| Other Revenues | 72,590 | 53,633 | 18,957 |
| Total Revenues | \$ 3,792,621 | \$ 1,563,671 | \$ 2,228,950 |
| Expenses for Services | 7,071,256 | 11,109,028 | 4,037,772 |
| Change in Net Position | \$ (3,278,635) | \$ (9,545,357) | \$ 6,266,722 |
| Net Position, Beginning of Year | (14,444,228) | (4,898,871) | (9,545,357) |
| Net Position, End of Year | \$ (17,722,863) | \$ (14,444,228) | \$ (3,278,635) |

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2024, were \$2,601,104, an increase of \$1,348,301 from the prior year.

The General Fund fund balance increased by \$217,104, primarily due to property tax revenues and service revenues exceeding operating costs.

The Debt Service Fund balance increased by \$644,238, primarily due to capitalized interest from the Series 2023A Road and Series 2024 bonds.

The Capital Projects Fund fund balance increased by \$486,959, primarily due to unspent proceeds from the Series 2023A Road and Series 2024 bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended to decrease projected property tax revenues. Actual revenues were \$778,436 more than budgeted revenues. Actual expenditures were \$354,813 more than budgeted expenditures. Transfers out of \$68,490 were unbudgeted. This resulted in a positive budget variance of \$355,133. For more details, refer to the budget versus actual comparison.

CAPITAL ASSETS

Capital assets as of June 30, 2024, total \$13,672,951 (net of accumulated depreciation) and include the water, wastewater and drainage systems.

| Capital Assets At Year-End, Net of Accumulated Depreciation | | | |
|---|---------------|---------------|----------------------------------|
| | 2024 | 2023 | Change Positive (Negative) |
| Capital Assets, Net of Accumulated | | | |
| Depreciation: | | | |
| Water System | \$ 1,813,638 | \$ 1,845,987 | \$ (32,349) |
| Wastewater System | 3,827,666 | 3,896,509 | (68,843) |
| Drainage System | 8,031,647 | 8,187,266 | (155,619) |
| Total Net Capital Assets | \$ 13,672,951 | \$ 13,929,762 | \$ (256,811) |

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

LONG-TERM DEBT ACTIVITY

As of June 30, 2024, the District had total bond debt payable of \$25,275,000. The changes in debt position of the District during the fiscal year ended June 30, 2024, are summarized as follows:

| | |
|----------------------------------|----------------------|
| Bond Debt Payable, July 1, 2023 | \$ 11,905,000 |
| Add: Bond Sales | 13,460,000 |
| Less: Bond Principal Paid | <u>90,000</u> |
| Bond Debt Payable, June 30, 2024 | <u>\$ 25,275,000</u> |

The District’s bonds do not carry an underlying rating. The Series 2022 bonds do not carry an insured rating. The Series 2023 Road bonds carry an insured rating of “AA” from S&P by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2023A Road and Series 2024 bonds carry an insured rating of “AA” from S&P by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The above ratings reflect all rating changes during the fiscal year ending June 30, 2024.

As of June 30, 2024, the District recorded an amount due to Developer of \$8,087,060 which consists of operating advances of \$400,000 and completed projects funded by the Developer in the amount of \$7,687,060.

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 Municipal Utility District No. 140, c/o The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, Texas, 77478.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2024

| | General Fund | Debt Service Fund |
|--|---------------------|----------------------|
| ASSETS | | |
| Cash | \$ 202,273 | \$ 779,624 |
| Investments | 657,645 | 930,078 |
| Receivables: | | |
| Property Taxes | 10,373 | 20,500 |
| Penalty and Interest on Delinquent Taxes | | |
| Service Accounts | 181,933 | |
| Due from Other Funds | 101,839 | 103,000 |
| Due from Other Governmental Units | 36,475 | |
| Capital Assets (Net of Accumulated Depreciation) | | |
| TOTAL ASSETS | \$ 1,190,538 | \$ 1,833,202 |

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

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|--------------------------|--------------|---------------|------------------------------|
| \$ 440,623 | \$ 1,422,520 | \$ | \$ 1,422,520 |
| 67,582 | 1,655,305 | | 1,655,305 |
| | 30,873 | | 30,873 |
| | | 5,557 | 5,557 |
| | 181,933 | | 181,933 |
| | 204,839 | (204,839) | |
| | 36,475 | | 36,475 |
| | | 13,672,951 | 13,672,951 |
| \$ 508,205 | \$ 3,531,945 | \$ 13,473,669 | \$ 17,005,614 |

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2024

| | General Fund | Debt Service Fund |
|---|---------------------|----------------------|
| LIABILITIES | | |
| Accounts Payable | \$ 25,769 | \$ |
| Accrued Interest Payable | | |
| Due to Other Governmental Units | 261,503 | 296,582 |
| Due to Developer | | |
| Due to Other Funds | 103,000 | 31,089 |
| Due to Taxpayers | | 470 |
| Security Deposits | 110,805 | |
| Long-Term Liabilities: | | |
| Due Within One Year | | |
| Due After One Year | | |
| TOTAL LIABILITIES | \$ 501,077 | \$ 328,141 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Taxes | \$ 10,373 | \$ 20,500 |
| FUND BALANCES | | |
| Restricted for Authorized Construction | \$ | \$ |
| Restricted for Debt Service | | 1,484,561 |
| Unassigned | 679,088 | |
| TOTAL FUND BALANCES | \$ 679,088 | \$ 1,484,561 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 1,190,538 | \$ 1,833,202 |
| NET POSITION | | |
| Net Investment in Capital Assets | | |
| Restricted for Debt Service | | |
| Unrestricted | | |
| TOTAL NET POSITION | | |

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

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|--------------------------|---------------------|------------------------|------------------------------|
| \$ | \$ 25,769 | \$ | \$ 25,769 |
| | | 412,319 | 412,319 |
| | 558,085 | | 558,085 |
| | | 8,087,060 | 8,087,060 |
| 70,750 | 204,839 | (204,839) | |
| | 470 | | 470 |
| | 110,805 | | 110,805 |
| | | 255,000 | 255,000 |
| | | 25,278,969 | 25,278,969 |
| <u>\$ 70,750</u> | <u>\$ 899,968</u> | <u>\$ 33,828,509</u> | <u>\$ 34,728,477</u> |
| <u>\$ -0-</u> | <u>\$ 30,873</u> | <u>\$ (30,873)</u> | <u>\$ -0-</u> |
| \$ 437,455 | \$ 437,455 | \$ (437,455) | \$ |
| | 1,484,561 | (1,484,561) | |
| | 679,088 | (679,088) | |
| <u>\$ 437,455</u> | <u>\$ 2,601,104</u> | <u>\$ (2,601,104)</u> | <u>\$ -0-</u> |
| <u>\$ 508,205</u> | <u>\$ 3,531,945</u> | | |
| | | \$ (19,110,623) | \$ (19,110,623) |
| | | 1,098,299 | 1,098,299 |
| | | 289,461 | 289,461 |
| | | <u>\$ (17,722,863)</u> | <u>\$ (17,722,863)</u> |

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

| | | |
|---|---------------------|------------------------|
| Total Fund Balances - Governmental Funds | | \$ 2,601,104 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p> | | 13,672,951 |
| <p>Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p> | | 36,430 |
| <p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p> | | |
| Due to Developer | \$ (8,087,060) | |
| Accrued Interest Payable | (412,319) | |
| Bonds Payable | <u>(25,533,969)</u> | <u>(34,033,348)</u> |
| Total Net Position - Governmental Activities | | <u>\$ (17,722,863)</u> |

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

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

| | General Fund | Debt Service Fund |
|---|---------------------|----------------------|
| REVENUES | | |
| Property Taxes | \$ 708,717 | \$ 1,384,111 |
| Water Service | 416,174 | |
| Wastewater Service | 409,601 | |
| Penalty and Interest | 11,483 | 11,480 |
| Tap Connection and Inspection Fees | 752,888 | |
| Investment Revenues | 5,816 | 42,340 |
| Miscellaneous Revenues | 12,757 | 1,561 |
| TOTAL REVENUES | \$ 2,317,436 | \$ 1,439,492 |
| EXPENDITURES/EXPENSES | | |
| Service Operations: | | |
| Professional Fees | \$ 160,675 | \$ 1,000 |
| Contracted Services | 15,215 | 15,597 |
| Purchased Water | 16,150 | |
| Purchased Regional Operator Services | 856,327 | |
| Utilities | 1,225 | |
| Purchased Regional Capacity Services | 935,053 | |
| Repairs and Maintenance | 11,000 | |
| Depreciation | | |
| Other | 36,197 | 7,030 |
| Developer Interest | | |
| Capital Outlay | | |
| Conveyance of Assets | | |
| Debt Service: | | |
| Bond Principal | | 90,000 |
| Bond Interest | | 676,632 |
| Bond Anticipation Note Interest | | |
| Bond and Bond Anticipation Note Issuance Costs | | |
| District's Share of Montgomery County Municipal Utility District No. 186's Bond Debt Requirement | | 593,164 |
| TOTAL EXPENDITURES/EXPENSES | \$ 2,031,842 | \$ 1,383,423 |

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

| Capital Projects Fund | Total | Adjustments | Statement of Activities |
|--------------------------|---------------|----------------|----------------------------|
| \$ | \$ 2,092,828 | \$ 21,382 | \$ 2,114,210 |
| | 416,174 | | 416,174 |
| | 409,601 | | 409,601 |
| | 22,963 | 4,195 | 27,158 |
| | 752,888 | | 752,888 |
| 10,116 | 58,272 | | 58,272 |
| | 14,318 | | 14,318 |
| \$ 10,116 | \$ 3,767,044 | \$ 25,577 | \$ 3,792,621 |
| \$ | \$ 161,675 | \$ | \$ 161,675 |
| | 30,812 | | 30,812 |
| | 16,150 | | 16,150 |
| | 856,327 | | 856,327 |
| | 1,225 | | 1,225 |
| | 935,053 | | 935,053 |
| | 11,000 | | 11,000 |
| | | 327,149 | 327,149 |
| 176,136 | 219,363 | | 219,363 |
| 852,593 | 852,593 | | 852,593 |
| 10,238,742 | 10,238,742 | (10,238,742) | |
| | | 809,833 | 809,833 |
| | 90,000 | (90,000) | |
| | 676,632 | 251,143 | 927,775 |
| 134,998 | 134,998 | | 134,998 |
| 1,194,139 | 1,194,139 | | 1,194,139 |
| | 593,164 | | 593,164 |
| \$ 12,596,608 | \$ 16,011,873 | \$ (8,940,617) | \$ 7,071,256 |

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

| | General Fund | Debt Service Fund |
|---|--------------|----------------------|
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES | \$ 285,594 | \$ 56,069 |
| OTHER FINANCING SOURCES | | |
| Transfers In (Out) | \$ (68,490) | \$ |
| Proceeds from Issuance of Long-Term Debt | | 588,169 |
| Bond Discount | | |
| Bond Premium | | |
| TOTAL OTHER FINANCING SOURCES | \$ (68,490) | \$ 588,169 |
| NET CHANGE IN FUND BALANCES | \$ 217,104 | \$ 644,238 |
| CHANGE IN NET POSITION | | |
| FUND BALANCES/NET POSITION - JULY 1, 2023 | 461,984 | 840,323 |
| FUND BALANCES/NET POSITION - JUNE 30, 2024 | \$ 679,088 | \$ 1,484,561 |

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

| <u>Capital Projects Fund</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|----------------------------------|----------------------|------------------------|------------------------------------|
| \$ (12,586,492) | \$ (12,244,829) | \$ 8,966,194 | \$ (3,278,635) |
| \$ 68,490 | \$ | \$ | \$ |
| 12,871,831 | 13,460,000 | (13,460,000) | |
| (115,783) | (115,783) | 115,783 | |
| 248,913 | 248,913 | (248,913) | |
| <u>\$ 13,073,451</u> | <u>\$ 13,593,130</u> | <u>\$ (13,593,130)</u> | <u>\$ -0-</u> |
| \$ 486,959 | \$ 1,348,301 | \$ (1,348,301) | \$ |
| | | (3,278,635) | (3,278,635) |
| <u>(49,504)</u> | <u>1,252,803</u> | <u>(15,697,031)</u> | <u>(14,444,228)</u> |
| <u>\$ 437,455</u> | <u>\$ 2,601,104</u> | <u>\$ (20,323,967)</u> | <u>\$ (17,722,863)</u> |

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

| | |
|--|-----------------------|
| Net Change in Fund Balances - Governmental Funds | \$ 1,348,301 |
| 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. | 21,382 |
| Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. | 4,195 |
| 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. | (327,149) |
| 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. | 10,238,742 |
| Assets conveyed to other governmental entities are recorded as expenses in the Statement of Activities. | (809,833) |
| Governmental funds report bond premiums as other financing sources in the year received and bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. | (133,130) |
| 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. | 90,000 |
| 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. | (251,143) |
| Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. | <u>(13,460,000)</u> |
| Change in Net Position - Governmental Activities | <u>\$ (3,278,635)</u> |

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 140 (the “District”) was created effective June 14, 2013, pursuant to House Bill No. 1492 in the 83rd Regular Session of the Texas Legislature in accordance with Article III, Section 52 and article XVI, Section 59 of the Texas Constitution. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, roads, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on June 2, 2020.

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 (the “GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

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

The District has contracted with Montgomery County Municipal Utility District No. 186 (the “Master District”) for the financing, operation, and maintenance of regional water, wastewater, drainage and road facilities. These facilities are under the oversight of the Master District’s Board of Directors and financial activity of the Master District has been included in the financial statements of the District as a note disclosure (see Note 8). Copies of the financial statements for the Master District may be obtained from Montgomery County Municipal Utility District No. 186’s attorney.

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”).

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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.
- * 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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Governmental Funds Balance Sheet and a Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

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

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

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 ad valorem taxes and 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 collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collected 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 June 30, 2024, the Debt Service Fund owes the General Fund \$31,089 for maintenance tax collections, the Capital Projects Fund owes the General Fund \$70,750 for bond issuance costs and the General Fund owes the Debt Service Fund \$103,000 for an incorrect transfer made during the current year. During the current fiscal year, the General Fund transferred \$68,490 to the Capital Projects Fund to reimburse for prior year expenditures.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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 acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as expenses 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 greater than \$5,000 and a useful life of two years or more. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation.

Estimated useful lives are as follows:

| | Years |
|-------------------|-------|
| Water System | 10-45 |
| Wastewater System | 10-45 |
| Drainage System | 10-45 |

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 amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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.

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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3. LONG-TERM DEBT

| | Series 2022 | Series 2023 Road | Series 2023A Road | Series 2024 |
|---------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Amount Outstanding – June 30, 2024 | \$ 5,815,000 | \$ 6,000,000 | \$ 5,500,000 | \$ 7,960,000 |
| Interest Rates | 4.60% - 5.15% | 4.00% - 6.50% | 4.25% - 6.75% | 3.25% - 5.75% |
| Maturity Date | September 1, 2024/2047 | September 1, 2024/2048 | September 1, 2025/2048 | September 1, 2025/2048 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2028* | September 1, 2029* | September 1, 2029* | September 1, 2030* |

* Or on any date thereafter, in whole or part, at a price of par value plus accrued interest to the date fixed for redemption. Series 2022 term bonds due September 1, 2036, 2039, 2043, and 2047 are subject to mandatory redemption beginning September 1, 2034, 2037, 2040, and 2044, respectively. Series 2023 Road term bonds due September 1, 2032, 2042, 2044, and 2048 are subject to mandatory redemption beginning September 1, 2030, 2041, 2043, and 2045, respectively. Series 2023A Road term bonds due September 1, 2031, 2033, 2035, 2037, 2044, 2046, and 2048 are subject to mandatory redemption beginning September 1, 2029, 2032, 2034, 2036, 2043, 2045, and 2047, respectively. Series 2024 term bonds due September 1, 2039, 2041, 2043, and 2047 are subject to mandatory redemption beginning September 1, 2038, 2040, 2042, and 2044, respectively.

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2024:

| | July 1, 2023 | Additions | Retirements | June 30, 2024 |
|--------------------------|----------------------|----------------------------|------------------|----------------------|
| Bonds Payable | \$ 11,905,000 | \$ 13,460,000 | \$ 90,000 | \$ 25,275,000 |
| Unamortized Discounts | (156,928) | (115,783) | (9,008) | (263,703) |
| Unamortized Premiums | 291,337 | 248,913 | 17,578 | 522,672 |
| Total Bonds Payable, Net | <u>\$ 12,039,409</u> | <u>\$ 13,593,130</u> | <u>\$ 98,570</u> | <u>\$ 25,533,969</u> |
| | | Amount Due Within One Year | | \$ 255,000 |
| | | Amount Due After One Year | | <u>25,278,969</u> |
| | | Total Bonds Payable, Net | | <u>\$ 25,533,969</u> |

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2024, the debt service requirements on the bonds outstanding were as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|----------------------|----------------------|
| 2025 | \$ 255,000 | \$ 1,190,859 | \$ 1,445,859 |
| 2026 | 560,000 | 1,145,954 | 1,705,954 |
| 2027 | 595,000 | 1,111,486 | 1,706,486 |
| 2028 | 620,000 | 1,075,216 | 1,695,216 |
| 2029 | 655,000 | 1,037,373 | 1,692,373 |
| 2030-2034 | 3,810,000 | 4,592,063 | 8,402,063 |
| 2035-2039 | 4,885,000 | 3,596,303 | 8,481,303 |
| 2040-2044 | 6,270,000 | 2,394,837 | 8,664,837 |
| 2045-2049 | 7,625,000 | 829,573 | 8,454,573 |
| | <u>\$ 25,275,000</u> | <u>\$ 16,973,664</u> | <u>\$ 42,248,664</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.

During the year ended June 30, 2024, the District levied an ad valorem debt service tax rate of \$0.47 per \$100 of assessed valuation, which resulted in a tax levy of \$795,382 on the adjusted taxable valuation of \$169,230,051 for the 2023 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

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 are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

As of June 30, 2024, the District had authorized but unissued bonds in the amount of \$107,635,000 for the purchase or construction of water, sewer and drainage facilities and \$12,150,000 for the refunding of such bonds, \$26,600,000 for the purchase or construction of parks and recreational facilities and \$2,660,000 for the refunding of such bonds and \$74,400,000 for the purchase or construction of road facilities and \$8,590,000 for the refunding of such bonds.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The District covenants that the system shall be maintained in good condition and operated in an efficient manner at a reasonable cost. Further, the District covenants to maintain insurance on such parts of the System as is usually insured by municipal corporations and political subdivisions in Texas operating similar facilities.

The bond resolutions state that the District is required to provide continuing disclosure of annual financial information and operating data with respect to the District. This information is required to be provided to the Municipal Securities Rulemaking Board. The information along with the audited annual financial statements, is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

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 use.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$1,422,520 and the bank balance was \$1,423,566. The District was not exposed to custodial credit risk at year-end.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet at June 30, 2024, as listed below:

| | Cash |
|-----------------------|--------------|
| GENERAL FUND | \$ 202,273 |
| DEBT SERVICE FUND | 779,624 |
| CAPITAL PROJECTS FUND | 440,623 |
| TOTAL DEPOSITS | \$ 1,422,520 |

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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2024, the District had the following investments and maturities:

| Fund and Investment Type | Fair Value | Maturities of Less Than 1 Year |
|------------------------------|--------------|--------------------------------------|
| <u>GENERAL FUND</u> | | |
| TexPool | \$ 657,645 | \$ 657,645 |
| <u>DEBT SERVICE FUND</u> | | |
| TexPool | \$ 930,078 | \$ 930,078 |
| <u>CAPITAL PROJECTS FUND</u> | | |
| TexPool | 67,582 | 67,582 |
| TOTAL INVESTMENTS | \$ 1,655,305 | \$ 1,655,305 |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2024, the District's investment in TexPool was rated AAAM by Standard and Poor's.

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

Restrictions

All cash and 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 MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024:

| | July 1, 2023 | Increases | Decreases | June 30, 2024 |
|--|-----------------------------|----------------------------|----------------------|-----------------------------|
| Capital Assets Subject to Depreciation | | | | |
| Water System | \$ 1,912,255 | \$ 10,960 | \$ | \$ 1,923,215 |
| Wastewater System | 4,039,521 | 22,585 | | 4,062,106 |
| Drainage System | <u>8,530,814</u> | <u>36,793</u> | | <u>8,567,607</u> |
| Total Capital Assets Subject to Depreciation | <u>\$ 14,482,590</u> | <u>\$ 70,338</u> | <u>\$ -0-</u> | <u>\$ 14,552,928</u> |
| Accumulated Depreciation | | | | |
| Water System | \$ 66,268 | \$ 43,309 | \$ | \$ 109,577 |
| Wastewater System | 143,012 | 91,428 | | 234,440 |
| Drainage System | <u>343,548</u> | <u>192,412</u> | | <u>535,960</u> |
| Total Accumulated Depreciation | <u>\$ 552,828</u> | <u>\$ 327,149</u> | <u>\$ -0-</u> | <u>\$ 879,977</u> |
| Total Capital Assets, Net of Accumulated Depreciation | <u><u>\$ 13,929,762</u></u> | <u><u>\$ (256,811)</u></u> | <u><u>\$ -0-</u></u> | <u><u>\$ 13,672,951</u></u> |

NOTE 7. MAINTENANCE TAX

On May 1, 2021, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended June 30, 2024, the District levied an ad valorem maintenance tax rate of \$0.42 per \$100 of assessed valuation, which resulted in a tax levy of \$710,766 on the adjusted taxable valuation of \$169,230,051 for the 2023 tax year.

On May 1, 2021, the voters of the District approved the levy and collection of a road maintenance tax not to exceed \$0.25 per \$100 of assessed valuation to be used for construction and maintaining the District's roads. As of June 30, 2024, the District has not levied a road maintenance tax.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8. REGIONAL FACILITIES

The District is part of a regional system (the “Master District System”) in which the “Master District” (defined below) provides, finances, constructs, owns, operates, and/or maintains certain public water, sewer, drainage, road and park facilities (“Master District Facilities”) to serve other municipal utility districts (each a “Participant”) that i) are located within the Master District’s Service Area (defined below) and, ii) have entered into the Master District Contract (defined below) with the Master District. Use of this Master District System encourages regionalization and helps avoid duplication of facilities. Each Participant will finance, construct, own, operate and maintain its own internal water, sewer, drainage, road and park facilities.

There are currently four additional municipal districts other than the Master District and the District within the Service area. These are Montgomery County Municipal Utility District Nos. 187, 188, 189, and 190; however, these districts are not actively developing, have not entered into the Master District Contract, and therefore, and not considered Participants at this time.

Montgomery County Municipal Utility District No. 186 (“MUD 186” or the “Master District”) serves as the Master District for the Master District System. Currently, only the District has entered into the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities (the “Master District Contract”) with MUD 186.

Among other things, the Master District Contract provides that the Master District will issue bonds from time to time to finance Master District Facilities that serve the Participants (“Master District Bonds”). Such bonds will be issued as contract revenue bonds payable solely from the contract revenues collected by the Master District from the Participants for such purpose. The Participants are required to levy and collect a contract tax, without legal limit as to rate or amount, on all taxable property within their respective boundaries sufficient to pay their respective pro rata shares of the debt service payments on the Master District Bonds, including, if applicable, any charges and expenses of paying agents, registrars and trustees utilized in connection with the Master District Bonds, the principal, interest and redemption requirements of the Master District Bonds and all amounts required to establish and maintain funds established under the Master District Bond documents entered into by the Master District. Each Participant’s contract payments will be calculated annually by the Master District; however, the levy of a contract tax or the provisions of other lawfully available funds to make its contract payments is the sole responsibility of each Participant.

A Participant’s pro rata share of the debt service payments on Master District Bonds is calculated as the total assessed value of taxable property located in such district divided by the total assessed value of taxable property located within the boundaries of all Participants. At this time, as the only Participant, the District’s share of debt service payments on any Master District Bonds is 100%. There is no limit in the Master District Contract on the total principal amount of Master District Bonds that may be issued by the Master District.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8. REGIONAL FACILITIES (Continued)

The Master District sold bonds in the principal amount of \$6,610,000 during the 2023 fiscal year and \$19,390,000 in the current fiscal year. The District is responsible for levying a contract tax on all taxable property within its boundaries sufficient to pay 100% of the debt service payments on such Master District Bonds until such time as other municipal utility districts within the Service Area have commenced development and approved the Master District Contract, at which time they will be deemed Participants and will fund their pro rata shares of the debt service payments along with the District.

The Master District Contract further requires that each Participant fund its pro-rata share of the Master District's operational expenses, with each Participants' share being calculated based upon its share of total share of water connections located within the boundaries of all Participants. Each Participant is obligated to establish and maintain rates, fees, and charges for its services which, together with tax revenues and funds received from any other lawful sources, are sufficient at all times to pay the operation and maintenance expenses of the Master District. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District Facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Master District under the Master District Contract. Currently, as the only Participant, the District is responsible for paying all of the administrative expenses of the Master District, which it pays in the form of "Monthly Charges" invoiced monthly by the Master District.

Water Facilities: Pursuant to the Master District Contract, the Master District is responsible for planning and providing regional water facilities to the Participants within its Service Area, including the District. In order to provide potable water supply services to the District, the Master District has entered into a Wholesale Agreement for Water and Wastewater Service with West Fork Utility Company, LLC ("West Fork"), dated July 12, 2021, as amended by Amendment No. 1 to the Wholesale Agreement for Water and Wastewater Service dated February 13, 2023 (the "Wholesale Agreement"), pursuant to which West Fork agrees to provide sufficient water supply capacity to serve up to 4,000 equivalent single-family connections ("ESFC"). Currently, West Fork has constructed a water plant with two water wells, one 190 gallons per minute and one 730 gallons per minute. These water wells are permitted by the Lone Star Groundwater Conservation District. West Fork is currently constructing an expansion to the water plant and installed a hydropneumatic tank in July of 2024 and construction of a ground storage tank is expected to be completed in November of 2024. Upon completion of the expansion, the water plant will be capable of serving 1,533 ESFCs, which is sufficient to serve the existing 887 ESFCs within the District (707 completed homes and 180 homes under construction or in the name of a builder). West Fork is obligated to expand the water plant as necessary and within the timeframe required to meet the needs of continued development within the District and Master District Service Area. The Master District has one emergency water interconnect with Montgomery County Municipal Utility District No. 56. During the current fiscal year, the District recorded \$16,150 in purchased costs from Westfork.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8. REGIONAL FACILITIES (Continued)

Wastewater Facilities: Pursuant to the Master District Contract, the Master District is responsible for planning and providing regional wastewater facilities to the Participants within its Service Area, including the District. In order to provide wastewater treatment services to the District, the Master District has entered into the Wholesale Agreement. Pursuant to the Wholesale Agreement, West Fork agrees to provide sufficient wastewater treatment capacity to serve up to 4,000 equivalent single-family connections (“ESFC”). Currently, West Fork has permitted and constructed a wastewater treatment plant capable of serving up to 1,000 ESFCs, which is sufficient to serve the existing 887 ESFCs within the District (707 completed homes and 180 homes under construction or in the name of a builder). West Fork is designing plans for the construction of 250,000 gallon per day expansion to the wastewater treatment plant which is expected to be completed in June of 2025. Upon completion of the expansion, the wastewater treatment plant will be capable of serving 2,000 ESFCs. West Fork is obligated to expand the wastewater treatment plant as necessary and within the timeframe required to meet the needs of continued development within the District and Master District Service Area.

Wholesale Agreement: Pursuant to the Wholesale Agreement, the Master District is obligated to pay West Fork a \$300,000 initial payment (the “Initial Payment”) and connection charges for capacity in the West Fork water plant and West Fork wastewater plant (collectively, the “West Fork System”). The connection charges are to be paid as follows: \$550 per platted water ESFC for the first 791 water ESFCs; and \$550 per platted sewer ESFC for the first 1,000 sewer ESFCs, with such connection charges being due on the earlier of 1) receipt by the Master District of bond proceeds issued for the purpose of purchasing capacity in the West Fork System, or 2) 36 months following the date of the recording of the respective final plat. The cost of ESFCs in excess of 791 ESFCs for water or 1,000 ESFCs for sewer shall be equal to 25% of the design, permitting, and construction costs of any expansion(s) to the West Fork water plant and/or wastewater plant necessary to serve such additional ESFCs divided by the total number of additional ESFCs that may be served by such expansion. The Initial Payment shall be credited against the final \$300,000 worth of connection charges due under the Wholesale Agreement. The Master District used a portion of proceeds from the outstanding Water, Sewer, and Drainage Contract Revenue Bonds to make the Initial Payment and to purchase a total of 710 ESFCs worth of capacity in the West Fork System. In addition to the Initial Payment and connection charges, the Wholesale Agreement provides that the Master District shall pay monthly usage charges to West Fork as follows: a volumetric rate of \$3.70 per 1,000 gallons of actual metered water flow and a flat fee for sanitary sewer services in the amount of \$37.00 per ESFC actually connected to the West Fork System.

Regional Water Distribution and Wastewater Collection: Regional water distribution facilities consist of waterlines ranging from 6 inches to 16 inches. These potable water distribution facilities supply water received from the West Fork System to the internal water distribution facilities constructed by the Participants, including the District. The regional wastewater collection facilities include sanitary sewer lines ranging in size from 6 inches to 12 inches. These collection lines collect waste from the internal facilities constructed by or on behalf of each Participant, including the District, and transport it to the West Fork System.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8. REGIONAL FACILITIES (Continued)

Master Drainage: The Master District also provides the Service Area with drainage facilities, which include drainage channel facilities, detention pond facilities, and conveyance storm sewer lines (“Storm-Water Drainage Facilities”). The Master District is responsible for operation and maintenance of the Storm-Water Drainage Facilities.

Internal Water Distribution, Wastewater Collection, and Storm Drainage Facilities: Internal water distribution, wastewater collection and storm drainage facilities have been constructed by the District to serve 1,155 single-family residential lots. An additional 81 lots are under construction with an expected completion date in the fourth quarter of 2024 and 81 lots are under construction with an expected completion date in the first quarter of 2025.

The Master District has issued contract revenue bonds sufficient to fund ongoing acquisition and construction of the regional facilities. For the current fiscal year, the District paid its pro rata share of the debt service requirement on these contract revenue bonds in the amount of \$593,164.

The debt service requirements on all outstanding Contract Revenue Bonds as of June 30, 2024. (the most recently completed audit of the Master District) are as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|----------------------|----------------------|----------------------|
| 2025 | \$ 140,000 | \$ 1,180,194 | \$ 1,320,194 |
| 2026 | 600,000 | 1,171,713 | 1,771,713 |
| 2027 | 715,000 | 1,130,751 | 1,845,751 |
| 2028 | 745,000 | 1,084,713 | 1,829,713 |
| 2029 | 770,000 | 1,036,826 | 1,806,826 |
| 2030-2034 | 4,265,000 | 4,471,430 | 8,736,430 |
| 2035-2039 | 5,130,000 | 3,469,999 | 8,599,999 |
| 2040-2044 | 6,215,000 | 2,305,582 | 8,520,582 |
| 2045-2049 | 7,125,000 | 835,674 | 7,960,674 |
| 2050 | 295,000 | 6,453 | 301,453 |
| | <u>\$ 26,000,000</u> | <u>\$ 16,693,335</u> | <u>\$ 42,693,335</u> |

During the year ended June 30, 2024, the District levied an ad valorem contract tax rate of \$0.36 per \$100 of assessed valuation, which resulted in a tax levy of \$609,229 on the adjusted taxable valuation of \$169,230,051 for the 2023 tax year.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8. REGIONAL FACILITIES (Continued)

Summarized financial activities of the Master District as of June 30, 2024, and for the year then ended are as follows:

| | |
|------------------------------|------------------------|
| Total Assets | \$ 22,022,783 |
| Total Liabilities | <u>38,177,759</u> |
| Total Net Position | <u>\$ (16,154,976)</u> |
| | |
| Total Revenues | \$ 2,452,231 |
| Total Expenditures | <u>8,099,267</u> |
| Change in Net Position | \$ (5,647,036) |
| | |
| Net Position - July 1, 2023 | <u>(10,507,940)</u> |
| Net Position - June 30, 2024 | <u>\$ (16,154,976)</u> |

NOTE 9. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with a Developer within the District which provides for the Developer to make payments on behalf of the District for various projects and operating advances. The District has an obligation to reimburse the Developer for these costs from future bond issues to the extent approved by the Commission. The District has recorded a liability to the Developer of \$400,000 for operating advances and \$7,687,060 for completed projects as of June 30, 2024. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. The following table summarized the current fiscal year activity related to unreimbursed Developer costs for operating advances:

| | |
|--|---------------------|
| Due to Developer, beginning of year, As Adjusted | \$ 17,445,630 |
| Current Year Additions | -0- |
| Current Year Reimburements | <u>(9,358,570)</u> |
| Due to Developer, end of year | <u>\$ 8,087,060</u> |

NOTE 10. 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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11. WATER SUPPLY AND INTERCONNECT AGREEMENT

On October 15, 2020, the District entered into a Water Supply and Interconnect Contract with Montgomery County Municipal Utility District No. 56 (“MUD 56”). The agreement requires the District to install a meter and construct a water line to a point of connection. Effective October 1, 2022, the MUD 56 Water Supply and Interconnect Contract was assigned to the Master District.

The Emergency Water Interconnect Agreement provides that during an emergency, the district experiencing the emergency shall be supplied water by the other district through the interconnect. The cost of water supplied to each district is \$1.50 per 1,000 gallons plus the then-current surface water charges from any governmental entity with authority to impose such charges, if any.

NOTE 12. SALE OF BOND ANTICIPATION NOTE

On June 29, 2023, the District closed on the sale of its \$4,190,000 Series 2023 Bond Anticipation Note (“BAN”). Proceeds from the BAN sale were used to reimburse the Developer for a portion of the engineering and construction costs for water, wastewater and drainage facilities to serve The Highlands, Sections 2, 4, 5, 6 and 8, as well as to reimburse operating advances. Additional proceeds were used to pay for issuance costs of the BAN. The BAN was redeemed with proceeds from the Series 2024 bond sale. See Note 14.

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

The District has entered into a Strategic Partnership Agreement (“SPA”) with the City of Conroe, Texas (the “City”), effective January 28, 2021, whereby the City may impose its sales and use tax within the District upon its limited purpose annexation of the District. To date, the City has not exercised its right to annex the District for limited purposes, but it may exercise this right at any time. After the date of the limited purpose annexation, the City shall pay to the District an amount equal to 50% of the sales and use tax revenues that are reported on the monthly sales tax report provided by the Comptroller and received by the City from the Comptroller.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

The City may, but is not required to, annex the District for full purposes upon the earlier of the following: 1. The date, not earlier than December 31, 2045, or 2. The time the District has achieved 95% Build Out, whichever occurs first. Upon the full purpose annexation conversion date, the land included within the boundaries of the District shall be deemed to be within the full purpose boundary limits of the City without the need for any further action. Upon such date, all taxable property within the territory of the District shall become subject to ad valorem taxation by the City.

If the debt of the District remains outstanding on the full purpose annexation conversion date, the City may require the District to continue to exist as a limited district for so long as necessary for the limited district to fully discharge all outstanding debt of the limited district.

At any time on or after the time after development in the District reaches 95% build out or December 31, 2045, the City may, in its sole discretion, annex all of the land within the District for full purposes, dissolve the District and assume the debt of the District as provided in Texas Local Government Code, Section 43.075.

NOTE 14. BOND SALES

On October 5, 2023, the District closed on the sale of \$5,500,000 of Unlimited Tax Road Bonds, Series 2023A. Proceeds from the bonds were used to reimburse the Developer for engineering and construction costs for paving facilities for The Highlands, Sections 4, 5, 6, 8 and 10. Additional proceeds were used to pay capitalized interest and issuance costs of the bonds.

On February 8, 2024, the District closed on the sale of \$7,960,000 of Unlimited Tax Bonds, Series 2024. Proceeds from the bonds were used to reimburse the Developer for a portion of the engineering and construction costs for water, wastewater and drainage facilities to serve The Highlands, Sections 2, 4, 5, 6 and 8, as well as to reimburse operating advances. Additional proceeds were used to redeem the BAN, fund capitalized interest and pay for issuance costs of the bonds and BAN.

NOTE 15. SUBSEQUENT EVENT – PENDING BOND SALE

On December 11, 2024, subsequent to year end, the District anticipates closing on the sale of \$7,825,000 of Unlimited Tax Road Bonds, Series 2024. Proceeds from the bonds and \$67,000 of surplus funds will be used to reimburse the Developer for construction and engineering costs for paving facilities and related land acquisition for The Highlands, Sections 7, 9, 12 and 14. Additional proceeds will be used to pay capitalized interest and issuance costs of the bonds.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

| | Original Budget | Final Amended Budget | Actual | Variance Positive (Negative) |
|--|-----------------------------|-----------------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 1,200,000 | \$ 700,000 | \$ 708,717 | \$ 8,717 |
| Water Service | 280,000 | 280,000 | 416,174 | 136,174 |
| Wastewater Service | 230,000 | 230,000 | 409,601 | 179,601 |
| Penalty and Interest | 7,000 | 7,000 | 11,483 | 4,483 |
| Tap Connection and Inspection Fees | 320,000 | 320,000 | 752,888 | 432,888 |
| Investment Revenues | 2,000 | 2,000 | 5,816 | 3,816 |
| Miscellaneous Revenues | <u> </u> | <u> </u> | <u>12,757</u> | <u>12,757</u> |
| TOTAL REVENUES | <u>\$ 2,039,000</u> | <u>\$ 1,539,000</u> | <u>\$ 2,317,436</u> | <u>\$ 778,436</u> |
| EXPENDITURES | | | | |
| Service Operations: | | | | |
| Professional Fees | \$ 163,500 | \$ 163,500 | \$ 160,675 | \$ 2,825 |
| Contracted Services | 15,000 | 15,000 | 15,215 | (215) |
| Purchased Water | | | 16,150 | (16,150) |
| Purchased Regional Operator Services | 530,000 | 530,000 | 856,327 | (326,327) |
| Utilities | 1,200 | 1,200 | 1,225 | (25) |
| Purchased Regional Capacity Services | 935,029 | 935,029 | 935,053 | (24) |
| Repairs and Maintenance | | | 11,000 | (11,000) |
| Other | <u>32,300</u> | <u>32,300</u> | <u>36,197</u> | <u>(3,897)</u> |
| TOTAL EXPENDITURES | <u>\$ 1,677,029</u> | <u>\$ 1,677,029</u> | <u>\$ 2,031,842</u> | <u>\$ (354,813)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ 361,971</u> | <u>\$ (138,029)</u> | <u>\$ 285,594</u> | <u>\$ 423,623</u> |
| OTHER FINANCING SOURCES(USES) | | | | |
| Transfers In (Out) | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ (68,490)</u> | <u>\$ (68,490)</u> |
| NET CHANGE IN FUND BALANCE | \$ 361,971 | \$ (138,029) | \$ 217,104 | \$ 355,133 |
| FUND BALANCE - JULY 1, 2023 | <u>461,984</u> | <u>461,984</u> | <u>461,984</u> | <u> </u> |
| FUND BALANCE - JUNE 30, 2024 | <u>\$ 823,955</u> | <u>\$ 323,955</u> | <u>\$ 679,088</u> | <u>\$ 355,133</u> |

The accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2024

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

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

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

The Master District provides wholesale water and wastewater services to participating districts, of which, the District is one. (See Note 8)

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved November 7, 2023.

| | <u>Minimum Charge</u> | <u>Minimum Usage</u> | <u>Flat Rate Y/N</u> | <u>Rate per 1,000 Gallons over Minimum Use</u> | <u>Usage Levels</u> |
|-------------|-----------------------|----------------------|----------------------|--|--|
| WATER: | \$25.00 | 5,000 | N | \$2.75 \$3.00 \$3.25 \$3.75 | 5,001 to 10,000 10,001 to 20,000 20,001 to 30,000 30,001 and over |
| WASTEWATER: | \$55.00 | | Y | | |
| SURCHARGE: | N/A | | | | |

District employs winter averaging for wastewater usage? _____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$38.75 Wastewater: \$55.00 Total: \$93.75

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

| <u>Meter Size</u> | <u>Total Connections</u> | <u>Active Connections</u> | <u>ESFC Factor</u> | <u>Active ESFCs</u> |
|---------------------------------|------------------------------|-------------------------------|------------------------|-------------------------|
| Unmetered | | | x 1.0 | |
| ≤ ³ / ₄ " | <u>708</u> | <u>706</u> | x 1.0 | <u>706</u> |
| 1" | <u>156</u> | <u>156</u> | x 2.5 | <u>390</u> |
| 1½" | | | x 5.0 | |
| 2" | <u>8</u> | <u>8</u> | x 8.0 | <u>64</u> |
| 3" | | | x 15.0 | |
| 4" | | | x 25.0 | |
| 6" | | | x 50.0 | |
| 8" | | | x 80.0 | |
| 10" | | | x 115.0 | |
| Total Water Connections | <u><u>872</u></u> | <u><u>870</u></u> | | <u><u>1,160</u></u> |
| Total Wastewater Connections | <u><u>843</u></u> | <u><u>843</u></u> | x 1.0 | <u><u>843</u></u> |

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

Water Accountability Ratio: 96.7%
(Gallons billed /Gallons pumped)

Gallons purchased: 82,968,000 From: West Fork

Gallons billed to customers: 80,226,000

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which the District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2024

| | |
|-----------------------------------|---------------------|
| PROFESSIONAL FEES: | |
| Auditing | \$ 16,250 |
| Engineering | 20,142 |
| Legal | 124,283 |
| TOTAL PROFESSIONAL FEES | <u>\$ 160,675</u> |
| PURCHASED SERVICES | |
| Purchased Water | \$ 16,150 |
| Purchased Regional Operator | 856,327 |
| Purchased Regional Capacity | 935,053 |
| TOTAL PURCHASED SERVICES | <u>\$ 1,807,530</u> |
| CONTRACTED SERVICES: | |
| Bookkeeping | \$ 12,715 |
| Tax Collector | 2,500 |
| TOTAL CONTRACTED SERVICES | <u>\$ 15,215</u> |
| UTILITIES | <u>\$ 1,225</u> |
| REPAIRS AND MAINTENANCE | <u>\$ 11,000</u> |
| ADMINISTRATIVE EXPENDITURES: | |
| Director Fees | \$ 11,208 |
| Insurance | 3,969 |
| Office Supplies and Postage | 5,894 |
| Payroll Taxes | 1,968 |
| Website | 4,770 |
| TOTAL ADMINISTRATIVE EXPENDITURES | <u>\$ 27,809</u> |
| OTHER EXPENDITURES: | |
| Laboratory Fees | \$ 4,983 |
| Regulatory Assessment | 3,405 |
| TOTAL OTHER EXPENDITURES | <u>\$ 8,388</u> |
| TOTAL EXPENDITURES | <u>\$ 2,031,842</u> |

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
INVESTMENTS
JUNE 30, 2024

| <u>Funds</u> | <u>Identification or Certificate Number</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Balance at End of Year</u> | <u>Accrued Interest Receivable at End of Year</u> |
|------------------------------|---|--------------------------|--------------------------|-----------------------------------|---|
| <u>GENERAL FUND</u> | | | | | |
| TexPool | XXXX0004 | Varies | Daily | \$ 657,645 | \$ -0- |
| <u>DEBT SERVICE FUND</u> | | | | | |
| TexPool | XXXX0003 | Varies | Daily | \$ 404,515 | \$ |
| TexPool | XXXX0005 | Varies | Daily | 525,563 | - |
| TOTAL DEBT SERVICE FUND | | | | \$ 930,078 | -0- |
| <u>CAPITAL PROJECTS FUND</u> | | | | | |
| TexPool | XXXX0006 | Varies | Daily | \$ 67,582 | \$ -0- |
| TOTAL - ALL FUNDS | | | | \$ 1,655,305 | \$ -0- |

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2024**

| | Maintenance Taxes | Debt Service Taxes | Contract Taxes |
|-----------------------------|-------------------|--------------------|-----------------|
| TAXES RECEIVABLE - | | | |
| JULY 1, 2023 | \$ 9,491 | \$ -0- | \$ -0- |
| Adjustments to Beginning | | | |
| Balance | <u>(1,167)</u> | <u>8,324</u> | <u>\$ -0-</u> |
| Original 2023 Tax Levy | \$ 665,553 | \$ 744,786 | \$ 570,474 |
| Adjustment to 2023 Tax Levy | <u>45,213</u> | <u>710,766</u> | <u>38,755</u> |
| TOTAL TO BE | | | |
| ACCOUNTED FOR | \$ 719,090 | \$ 795,382 | \$ 609,229 |
| TAX COLLECTIONS: | | | |
| Prior Years | \$ 8,324 | \$ -0- | \$ -0- |
| Current Year | <u>700,393</u> | <u>708,717</u> | <u>600,337</u> |
| TAXES RECEIVABLE - | | | |
| JUNE 30, 2024 | <u>\$ 10,373</u> | <u>\$ 11,608</u> | <u>\$ 8,892</u> |
| TAXES RECEIVABLE BY | | | |
| YEAR: | | | |
| 2023 | <u>\$ 10,373</u> | <u>\$ 11,608</u> | <u>\$ 8,892</u> |

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2024**

| | 2023 | 2022 | 2021 |
|--|-----------------------|----------------------|---------------------|
| PROPERTY VALUATIONS: | | | |
| Land | \$ 52,875,317 | \$ 23,718,994 | \$ 1,935,150 |
| Improvements | 127,216,210 | 18,434,960 | |
| Personal Property | 465,289 | 199,235 | |
| Exemptions | (11,326,765) | (1,008,113) | (19,010) |
| TOTAL PROPERTY VALUATIONS | \$ 169,230,051 | \$ 41,345,076 | \$ 1,916,140 |
| TAX RATES PER \$100 VALUATION: | | | |
| Debt Service | \$ 0.47 | \$ 0.00 | \$ 0.00 |
| Contract | 0.36 | 0.00 | 0.53 |
| Maintenance | 0.42 | 1.25 | 0.72 |
| TOTAL TAX RATES PER \$100 VALUATION | \$ 1.25 | \$ 1.25 | \$ 1.25 |
| ADJUSTED TAX LEVY* | \$ 2,115,377 | \$ 516,814 | \$ 23,952 |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | | | |
| | 98.54 % | 100.00 % | 100.00 % |

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 1, 2021.

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

S E R I E S - 2 0 2 2

| Due During Fiscal Years Ending June 30 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|----------------------|
| 2025 | \$ 130,000 | \$ 287,460 | \$ 417,460 |
| 2026 | 135,000 | 280,835 | 415,835 |
| 2027 | 145,000 | 273,835 | 418,835 |
| 2028 | 150,000 | 266,460 | 416,460 |
| 2029 | 160,000 | 258,910 | 418,910 |
| 2030 | 165,000 | 251,315 | 416,315 |
| 2031 | 175,000 | 243,495 | 418,495 |
| 2032 | 185,000 | 235,169 | 420,169 |
| 2033 | 195,000 | 226,285 | 421,285 |
| 2034 | 205,000 | 216,834 | 421,834 |
| 2035 | 215,000 | 206,590 | 421,590 |
| 2036 | 225,000 | 195,590 | 420,590 |
| 2037 | 235,000 | 184,090 | 419,090 |
| 2038 | 245,000 | 172,090 | 417,090 |
| 2039 | 260,000 | 159,465 | 419,465 |
| 2040 | 270,000 | 146,215 | 416,215 |
| 2041 | 285,000 | 132,198 | 417,198 |
| 2042 | 300,000 | 117,280 | 417,280 |
| 2043 | 315,000 | 101,598 | 416,598 |
| 2044 | 330,000 | 85,150 | 415,150 |
| 2045 | 345,000 | 67,851 | 412,851 |
| 2046 | 365,000 | 49,568 | 414,568 |
| 2047 | 380,000 | 30,385 | 410,385 |
| 2048 | 400,000 | 10,300 | 410,300 |
| 2049 | | | |
| | <u>\$ 5,815,000</u> | <u>\$ 4,198,968</u> | <u>\$ 10,013,968</u> |

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

SERIES - 2023 ROAD

| Due During Fiscal Years Ending June 30 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|----------------------|
| 2025 | \$ 125,000 | \$ 289,750 | \$ 414,750 |
| 2026 | 130,000 | 281,463 | 411,463 |
| 2027 | 140,000 | 272,688 | 412,688 |
| 2028 | 145,000 | 263,425 | 408,425 |
| 2029 | 155,000 | 253,675 | 408,675 |
| 2030 | 160,000 | 243,438 | 403,438 |
| 2031 | 170,000 | 232,713 | 402,713 |
| 2032 | 175,000 | 221,500 | 396,500 |
| 2033 | 185,000 | 209,800 | 394,800 |
| 2034 | 195,000 | 197,938 | 392,938 |
| 2035 | 205,000 | 185,938 | 390,938 |
| 2036 | 215,000 | 173,338 | 388,338 |
| 2037 | 225,000 | 162,388 | 387,388 |
| 2038 | 235,000 | 153,187 | 388,187 |
| 2039 | 250,000 | 143,487 | 393,487 |
| 2040 | 260,000 | 133,287 | 393,287 |
| 2041 | 275,000 | 122,587 | 397,587 |
| 2042 | 290,000 | 110,925 | 400,925 |
| 2043 | 305,000 | 98,281 | 403,281 |
| 2044 | 315,000 | 85,106 | 400,106 |
| 2045 | 335,000 | 71,294 | 406,294 |
| 2046 | 350,000 | 56,737 | 406,737 |
| 2047 | 370,000 | 41,437 | 411,437 |
| 2048 | 385,000 | 25,394 | 410,394 |
| 2049 | 405,000 | 8,606 | 413,606 |
| | <u>\$ 6,000,000</u> | <u>\$ 4,038,382</u> | <u>\$ 10,038,382</u> |

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

SERIES - 2023 A ROAD

| Due During Fiscal Years Ending June 30 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2025 | \$ | \$ 265,844 | \$ 265,844 |
| 2026 | 125,000 | 261,625 | 386,625 |
| 2027 | 135,000 | 252,850 | 387,850 |
| 2028 | 140,000 | 243,569 | 383,569 |
| 2029 | 145,000 | 233,950 | 378,950 |
| 2030 | 155,000 | 223,825 | 378,825 |
| 2031 | 160,000 | 213,194 | 373,194 |
| 2032 | 170,000 | 202,056 | 372,056 |
| 2033 | 175,000 | 192,600 | 367,600 |
| 2034 | 185,000 | 184,950 | 369,950 |
| 2035 | 195,000 | 176,875 | 371,875 |
| 2036 | 205,000 | 168,375 | 373,375 |
| 2037 | 210,000 | 159,556 | 369,556 |
| 2038 | 220,000 | 150,419 | 370,419 |
| 2039 | 235,000 | 140,750 | 375,750 |
| 2040 | 245,000 | 130,550 | 375,550 |
| 2041 | 255,000 | 119,766 | 374,766 |
| 2042 | 270,000 | 108,281 | 378,281 |
| 2043 | 280,000 | 96,075 | 376,075 |
| 2044 | 295,000 | 83,138 | 378,138 |
| 2045 | 310,000 | 69,525 | 379,525 |
| 2046 | 325,000 | 55,238 | 380,238 |
| 2047 | 340,000 | 40,275 | 380,275 |
| 2048 | 355,000 | 24,638 | 379,638 |
| 2049 | 370,000 | 8,325 | 378,325 |
| | <u>\$ 5,500,000</u> | <u>\$ 3,806,249</u> | <u>\$ 9,306,249</u> |

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

S E R I E S - 2 0 2 4

| Due During Fiscal Years Ending June 30 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|----------------------|
| 2025 | \$ | \$ 347,805 | \$ 347,805 |
| 2026 | 170,000 | 322,031 | 492,031 |
| 2027 | 175,000 | 312,113 | 487,113 |
| 2028 | 185,000 | 301,762 | 486,762 |
| 2029 | 195,000 | 290,838 | 485,838 |
| 2030 | 205,000 | 279,338 | 484,338 |
| 2031 | 220,000 | 267,531 | 487,531 |
| 2032 | 230,000 | 257,881 | 487,881 |
| 2033 | 245,000 | 250,163 | 495,163 |
| 2034 | 255,000 | 242,038 | 497,038 |
| 2035 | 270,000 | 233,506 | 503,506 |
| 2036 | 285,000 | 224,309 | 509,309 |
| 2037 | 300,000 | 214,250 | 514,250 |
| 2038 | 320,000 | 202,600 | 522,600 |
| 2039 | 335,000 | 189,500 | 524,500 |
| 2040 | 355,000 | 175,700 | 530,700 |
| 2041 | 375,000 | 161,100 | 536,100 |
| 2042 | 395,000 | 145,700 | 540,700 |
| 2043 | 415,000 | 129,500 | 544,500 |
| 2044 | 440,000 | 112,400 | 552,400 |
| 2045 | 465,000 | 94,300 | 559,300 |
| 2046 | 490,000 | 75,200 | 565,200 |
| 2047 | 515,000 | 55,100 | 570,100 |
| 2048 | 545,000 | 33,900 | 578,900 |
| 2049 | 575,000 | 11,500 | 586,500 |
| | <u>\$ 7,960,000</u> | <u>\$ 4,930,065</u> | <u>\$ 12,890,065</u> |

See accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

| Due During Fiscal Years Ending June 30 | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
|--|------------------------|-----------------------|--|
| 2025 | \$ 255,000 | \$ 1,190,859 | \$ 1,445,859 |
| 2026 | 560,000 | 1,145,954 | 1,705,954 |
| 2027 | 595,000 | 1,111,486 | 1,706,486 |
| 2028 | 620,000 | 1,075,216 | 1,695,216 |
| 2029 | 655,000 | 1,037,373 | 1,692,373 |
| 2030 | 685,000 | 997,916 | 1,682,916 |
| 2031 | 725,000 | 956,933 | 1,681,933 |
| 2032 | 760,000 | 916,606 | 1,676,606 |
| 2033 | 800,000 | 878,848 | 1,678,848 |
| 2034 | 840,000 | 841,760 | 1,681,760 |
| 2035 | 885,000 | 802,909 | 1,687,909 |
| 2036 | 930,000 | 761,612 | 1,691,612 |
| 2037 | 970,000 | 720,284 | 1,690,284 |
| 2038 | 1,020,000 | 678,296 | 1,698,296 |
| 2039 | 1,080,000 | 633,202 | 1,713,202 |
| 2040 | 1,130,000 | 585,752 | 1,715,752 |
| 2041 | 1,190,000 | 535,651 | 1,725,651 |
| 2042 | 1,255,000 | 482,186 | 1,737,186 |
| 2043 | 1,315,000 | 425,454 | 1,740,454 |
| 2044 | 1,380,000 | 365,794 | 1,745,794 |
| 2045 | 1,455,000 | 302,970 | 1,757,970 |
| 2046 | 1,530,000 | 236,743 | 1,766,743 |
| 2047 | 1,605,000 | 167,197 | 1,772,197 |
| 2048 | 1,685,000 | 94,232 | 1,779,232 |
| 2049 | 1,350,000 | 28,431 | 1,378,431 |
| | <u>\$ 25,275,000</u> | <u>\$ 16,973,664</u> | <u>\$ 42,248,664</u> |

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2024

| Description | Original Bonds Issued | Bonds Outstanding July 1, 2023 |
|---|-----------------------------|--------------------------------------|
| Montgomery County Municipal Utility District No. 140 Unlimited Tax Bonds - Series 2022 | \$ 5,905,000 | \$ 5,905,000 |
| Montgomery County Municipal Utility District No. 140 Unlimited Tax Road Bonds - Series 2023 | 6,000,000 | 6,000,000 |
| Montgomery County Municipal Utility District No. 140 Unlimited Tax Road Bonds - Series 2023A | 5,500,000 | |
| Montgomery County Municipal Utility District No. 140 Unlimited Tax Bonds - Series 2024 | <u>7,960,000</u> | |
| TOTAL | <u><u>\$ 25,365,000</u></u> | <u><u>\$ 11,905,000</u></u> |

| Bond Authority: | Water, Sewer and Drainage Bonds | Road Bonds | Park Bonds |
|-----------------------------|---------------------------------------|-----------------------------|-----------------------------|
| Amount Authorized by Voters | \$ 121,500,000 | \$ 85,900,000 | \$ 26,600,000 |
| Amount Issued | <u>13,865,000</u> | <u>11,500,000</u> | |
| Remaining to be Issued | <u><u>\$ 107,635,000</u></u> | <u><u>\$ 74,400,000</u></u> | <u><u>\$ 26,600,000</u></u> |

| | |
|--|----------------------------|
| Debt Service Fund cash and investment balances as of June 30, 2024: | <u>\$ 1,709,702</u> |
| Average annual debt service payment (principal and interest) for remaining term of all debt: | <u><u>\$ 1,689,947</u></u> |

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

See accompanying independent auditor's report.

| <u>Current Year Transactions</u> | | | | |
|----------------------------------|--------------------|-------------------|--|--|
| <u>Bonds Sold</u> | <u>Retirements</u> | | <u>Bonds Outstanding June 30, 2024</u> | <u>Paying Agent</u> |
| | <u>Principal</u> | <u>Interest</u> | | |
| \$ | \$ 90,000 | \$ 292,960 | \$ 5,815,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | | 275,857 | 6,000,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| 5,500,000 | | 107,815 | 5,500,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| <u>7,960,000</u> | | | <u>\$ 7,960,000</u> | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| <u>\$ 13,460,000</u> | <u>\$ 90,000</u> | <u>\$ 676,632</u> | <u>\$ 25,275,000</u> | |

Refunding Bonds*

\$ 23,400,000

\$ 23,400,000

* Includes \$12,150,000 for water, sewer and drainage bonds, \$8,590,000 for road bonds and \$2,660,000 for park bonds.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - THREE YEARS

| | Amounts | | |
|--|---------------------|---------------------|--------------------|
| | 2024 | 2023 | 2022 |
| REVENUES | | | |
| Property Taxes | \$ 708,717 | \$ 501,788 | \$ 23,952 |
| Water Service | 416,174 | 225,868 | 69,025 |
| Wastewater Service | 409,601 | 230,203 | 75,215 |
| Penalty and Interest | 11,483 | 10,594 | 1,168 |
| Tap Connection and Inspection Fees | 752,888 | 530,732 | 571,850 |
| Investment Revenues | 5,816 | 1,963 | |
| Miscellaneous Revenues | 12,757 | 34,578 | 15,359 |
| TOTAL REVENUES | <u>\$ 2,317,436</u> | <u>\$ 1,535,726</u> | <u>\$ 756,569</u> |
| EXPENDITURES | | | |
| Professional Fees | \$ 160,675 | \$ 160,916 | \$ 229,359 |
| Contracted Services | 15,215 | 28,063 | 50,208 |
| Purchased Water | 16,150 | 21,496 | 49,778 |
| Purchased Regional Operator Services | 856,327 | 597,842 | |
| Utilities | 1,225 | | |
| Purchased Regional Capacity Services | 935,053 | 777,158 | |
| Repairs and Maintenance | 11,000 | | 110,493 |
| Other | 36,197 | 51,833 | 356,498 |
| TOTAL EXPENDITURES | <u>\$ 2,031,842</u> | <u>\$ 1,637,308</u> | <u>\$ 796,336</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>\$ 285,594</u> | <u>\$ (101,582)</u> | <u>\$ (39,767)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advances | \$ | \$ 400,000 | \$ 210,000 |
| Transfers In(Out) | (68,490) | | |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ (68,490)</u> | <u>\$ 400,000</u> | <u>\$ 210,000</u> |
| NET CHANGE IN FUND BALANCE | \$ 217,104 | \$ 298,418 | \$ 170,233 |
| BEGINNING FUND BALANCE | <u>461,984</u> | <u>163,566</u> | <u>(6,667)</u> |
| ENDING FUND BALANCE | <u>\$ 679,088</u> | <u>\$ 461,984</u> | <u>\$ 163,566</u> |

See accompanying independent auditor's report.

Percentage of Total Revenues

| <u>2024</u> | <u>2023</u> | <u>2022</u> |
|----------------|----------------|----------------|
| 30.4 % | 32.5 % | 3.2 % |
| 18.0 | 14.7 | 9.1 |
| 17.7 | 15.0 | 9.9 |
| 0.5 | 0.7 | 0.2 |
| 32.5 | 34.7 | 75.6 |
| 0.3 | 0.1 | |
| <u>0.6</u> | <u>2.3</u> | <u>2.0</u> |
| <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| | | |
| 6.9 % | 10.5 % | 30.3 % |
| 0.7 | 1.8 | 6.6 |
| 0.7 | 1.4 | 6.6 |
| 37.0 | 38.9 | |
| 0.1 | | |
| 40.3 | 50.6 | |
| 0.5 | | 14.6 |
| <u>1.6</u> | <u>3.4</u> | <u>47.1</u> |
| <u>87.8 %</u> | <u>106.6 %</u> | <u>105.2 %</u> |
| | | |
| <u>12.2 %</u> | <u>(6.6) %</u> | <u>(5.2) %</u> |

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - THREE YEARS

| | Amounts | | |
|---|---------------------|--------------------|---------------|
| | 2024 | 2023 | 2022 |
| REVENUES | | | |
| Property Taxes | \$ 1,384,111 | \$ | \$ |
| Penalty and Interest | 11,480 | | |
| Investment Revenues | 42,340 | 15,413 | |
| Miscellaneous Revenues | 1,561 | | |
| TOTAL REVENUES | \$ 1,439,492 | \$ 15,413 | \$ -0- |
| EXPENDITURES | | | |
| Tax Collection Expenditures | \$ 21,752 | \$ 320 | |
| Debt Service Principal | 90,000 | | |
| Debt Service Interest and Fees | 678,507 | 91,843 | |
| District's Share of Montgomery County Municipal Utility District No. 186's Bond Debt Requirement | 593,164 | | |
| TOTAL EXPENDITURES | \$ 1,383,423 | \$ 92,163 | \$ -0- |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | \$ 56,069 | \$ (76,750) | \$ -0- |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from Issuance of Long-Term Debt | \$ 588,169 | \$ 917,073 | \$ -0- |
| NET CHANGE IN FUND BALANCE | \$ 644,238 | \$ 840,323 | \$ -0- |
| BEGINNING FUND BALANCE | 840,323 | | |
| ENDING FUND BALANCE | \$ 1,484,561 | \$ 840,323 | \$ -0- |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | 870 | 524 | 325 |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | 843 | 509 | 322 |

See accompanying independent auditor's report.

| Percentage of Total Revenue | | | |
|-----------------------------|------------------|------------|---|
| 2024 | 2023 | 2022 | |
| 96.2 % | | | % |
| 0.8 % | | | |
| 2.9 % | 100.0 | | |
| 0.1 | | | |
| <u>100.0</u> % | <u>100.0</u> % | | % |
| 1.5 % | 2.1 % | | % |
| 6.3 | | | |
| 47.1 | 595.9 | | |
| 41.2 | | | |
| <u>96.1</u> % | <u>598.0</u> % | | % |
| <u>3.9</u> % | <u>(498.0)</u> % | <u>N/A</u> | % |

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2024

District Mailing Address - Montgomery County Municipal Utility District No. 140
The Muller Law Group, PLLC
202 Century Square Boulevard
Sugar Land, Texas 77478

District Telephone Number - (281) 500-6050

| Board Members | Term of Office (Elected or Appointed) | Fees of Office for the year ended <u>June 30, 2024</u> | Expense reimbursements for the year ended <u>June 30, 2024</u> | <u>Title</u> |
|----------------------|--|--|---|-----------------------------|
| Kyle Atchison | 05/22 - 05/26 (Elected) | \$ 2,581 | \$ -0- | President |
| Mary Ellen Bare | 05/22 - 05/26 (Elected) | \$ 2,360 | \$ 392 | Vice President |
| Leticia Cortez | 05/24 - 05/28 (Elected) | \$ 2,802 | \$ 681 | Secretary |
| Glen Jordan | 05/24 - 05/28 (Elected) | \$ 663 | \$ -0- | Assistant Secretary |
| Timothy Hayes | 05/24 - 05/28 (Elected) | \$ 442 | \$ -0- | Assistant Vice President |

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.

The submission date of the most recent District Registration Form: May 29, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District’s fiscal year.

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2024

| Consultants: | <u>Date Hired</u> | <u>Fees for the year ended June 30, 2024</u> | <u>Title</u> |
|--|-----------------------|--|---------------------------------|
| The Muller Law Group, PLLC | 06/02/20 | \$ 124,283 \$ 329,200 | General Counsel Bond Related |
| McCall Gibson Swedlund Barfoot PLLC | 04/05/22 | \$ 13,750 \$ 34,000 | Auditor Bond Related |
| District Data Services. | 09/06/22 | \$ 12,715 \$ 6,000 | Bookkeeper Bond Related |
| Predue, Brandon, Fielder, Collins & Mott, | 05/04/21 | \$ 934 | Delinquent Tax Attorney |
| Pape-Dawson Engineers, Inc. | 06/02/20 | \$ 44,932 | Engineer |
| Masterson Advisors LLC | 01/03/23 | \$ 208,169 | Financial Advisor |
| Stephanie Viator Lynette Tujague | 09/06/22 | \$ -0- | Investment Officers |
| Environmental Development Partners, L.L.C. | 06/02/20 | \$ -0- | Operator * |
| BLICO, Inc., dba Bob Leared Interests | 06/02/20 | \$ 19,269 | Tax Assessor/ Collector |

* Operator invoices are paid by the Master District. Payments by the District for these costs are paid to the Master District.

See accompanying independent auditor's report.