



Montgomery County Municipal Utility District No. 183 Montgomery County, Texas

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

June 30, 2024



Montgomery County Municipal Utility District No. 183
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June 30, 2024

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Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 183
Montgomery County, Texas

Opinions

We have audited the financial statements of the governmental activities and general fund of Montgomery County Municipal Utility District No. 183 (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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the District, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

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 accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

**Houston, Texas
February 28, 2025**

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Fund

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 204,866	\$ 175,100
Long-term liabilities	\$ 1,250,110	\$ 711,494
Other liabilities	19,866	9,385
Total liabilities	<u>1,269,976</u>	<u>720,879</u>
Net position:		
Unrestricted net position	<u>(1,065,110)</u>	<u>(545,779)</u>
Total net position	<u>\$ (1,065,110)</u>	<u>\$ (545,779)</u>

The total net position of the District decreased by \$519,331 or about 95%. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance.

At June 30, 2024, unrestricted net position was \$(1,065,110). This amount was negative because the District has an obligation to sell bonds to finance the construction or acquisition of capital assets, which have been conveyed to the City of Conroe (the City) pursuant to a utility agreement between the District and the City. Accordingly, these assets are not recorded in the financial statements of the District.

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>
Revenues:		
Property taxes	\$ 187,557	\$ 185,184
Other revenues	5,627	12,962
	<u>193,184</u>	<u>198,146</u>
Expenses:		
Services	273,899	178,936
Conveyance of capital assets	438,616	483,255
	<u>712,515</u>	<u>662,191</u>
Change in net position	(519,331)	(464,045)
Net position, beginning of year	<u>(545,779)</u>	<u>(81,734)</u>
Net position, end of year	<u><u>\$ (1,065,110)</u></u>	<u><u>\$ (545,779)</u></u>

Financial Analysis of the District's Fund

The general fund's fund balance increased by \$19,285, due to property tax revenues and developer advances received exceeding service operations and capital outlay expenditures.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to professional fees expenditures being less than anticipated and developer advances being greater than anticipated. In addition, capital outlay expenditures were not included in the budget. The fund balance as of June 30, 2024, was expected to be \$165,715 and the actual end-of-year fund balance was \$185,000.

Long-Term Liabilities

Debt

The changes in the debt position of the District during the fiscal year ended June 30, 2024, are summarized as follows:

Long-term debt payable, beginning of year	\$ 711,494
Increases in long-term debt	<u>538,616</u>
Long-term debt payable, end of year	<u><u>\$ 1,250,110</u></u>

The developer of the District has constructed facilities on behalf of the District under the terms of contracts with the District. The District has agreed to reimburse the developer for these facilities from the proceeds of future bond sales subject to the approval of the Commission. At June 30, 2024, a liability for developer constructed facilities of \$ \$921,871 was recorded in the government-wide financial statements.

At June 30, 2024, the District had \$127,200,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, \$106,400,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing and improving roads and paving facilities within the District and \$24,500,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing park and recreational facilities within the District.

Other Relevant Factors

Relationship to the City of Conroe

Under existing Texas law, since the District lies wholly within the City, the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be dissolved by the City without the District's consent subject to certain restrictions in the Utility Functions Agreement with the City. If the District is dissolved, the City must assume the District's assets and obligations (including the bonded indebtedness).

Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay future property taxes.

Since inception, the developer has advanced \$328,239 to the District for operations. The District does not have sufficient funds nor anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Contingencies

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated current construction amounts are approximately \$2,760,400. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Montgomery County Municipal Utility District No. 183
Statement of Net Position and Governmental Fund Balance Sheet
June 30, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash	\$ 16,694	\$ -	\$ 16,694
Short-term investments	185,679	-	185,679
Prepaid expenditures	2,493	-	2,493
Total assets	<u>\$ 204,866</u>	<u>\$ -</u>	<u>\$ 204,866</u>
Liabilities			
Accounts payable	\$ 19,866	\$ -	\$ 19,866
Long-term liabilities, due after one year	-	1,250,110	1,250,110
Total liabilities	<u>19,866</u>	<u>1,250,110</u>	<u>1,269,976</u>
Fund Balance/Net Position			
Fund balance:			
Nonspendable, prepaid expenditures	2,493	(2,493)	-
Unassigned	182,507	(182,507)	-
Total fund balance	<u>185,000</u>	<u>(185,000)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 204,866</u>		
Unrestricted net position		<u>(1,065,110)</u>	<u>(1,065,110)</u>
Total net position		<u>\$ (1,065,110)</u>	<u>\$ (1,065,110)</u>

Montgomery County Municipal Utility District No. 183
Statement of Activities and Governmental Fund Revenues,
Expenditures and Changes in Fund Balance
Year Ended June 30, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property taxes	\$ 187,557	\$ -	\$ 187,557
Penalty and interest	396	-	396
Investment income	5,231	-	5,231
	<u>193,184</u>	<u>-</u>	<u>193,184</u>
Total revenues	<u>193,184</u>	<u>-</u>	<u>193,184</u>
Expenditures/Expenses			
Service operations:			
Professional fees	63,618	156,063	219,681
Contracted services	29,719	-	29,719
Other expenditures	24,499	-	24,499
Capital outlay	156,063	(156,063)	-
Conveyance of capital assets	-	438,616	438,616
	<u>-</u>	<u>438,616</u>	<u>438,616</u>
Total expenditures/expenses	<u>273,899</u>	<u>438,616</u>	<u>712,515</u>
Deficiency of Revenues Over Expenditures	(80,715)	(438,616)	
Other Financing Sources			
Developer advances received	100,000	(100,000)	
	<u>100,000</u>	<u>(100,000)</u>	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	19,285	(19,285)	
Change in Net Position		(519,331)	(519,331)
Fund Balance/Net Position			
Beginning of year	165,715	-	(545,779)
	<u>165,715</u>	<u>-</u>	<u>(545,779)</u>
End of year	<u>\$ 185,000</u>	<u>\$ -</u>	<u>\$ (1,065,110)</u>

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Montgomery County Municipal Utility District No. 183 (the District) was created by Senate Bill No. 2197 of the 87th Legislature of the State of Texas, regular session, effective May 24, 2021, in accordance with Article XVI, Section 59, of the Texas Constitution and now codified at Chapter 7910A of the Texas Special District Local Laws Code. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance and construct waterworks, wastewater, drainage, park, road and other facilities and to provide such facilities and services to the customers of the District. All services are provided by the City of Conroe (the City).

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental fund:

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

Montgomery County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2024

Fund Balance – Governmental Fund

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Montgomery County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2024

considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2024, include collections during the current period or within 60 days of year end related to the 2023 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2024, the 2023 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

The District conveys its water, wastewater and drainage facilities (exclusive of its storm water detention facilities) to the City.

Montgomery County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2024

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

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

Long-Term Obligations

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

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

Net Position/Fund Balance

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

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

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balance in the governmental fund balance sheet are different because:

Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	<u>\$ (1,250,110)</u>
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Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balance in the governmental fund statement of revenues, expenditures and change in fund balance because:

Change in fund balance.	\$ 19,285
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Governmental funds report capital outlay as expenditures. However, for government-wide financial statements, the majority of capital assets constructed by the District are conveyed to the City upon completion. This is the amount by which conveyed capital assets and noncapitalized costs exceeded capital outlay expenditures in the current period.	(438,616)
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Montgomery County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2024

Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	<u>\$ (100,000)</u>
Change in net position of governmental activities.	<u><u>\$ (519,331)</u></u>

Note 2. Deposits, Investments and Investment Income

Deposits

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

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

At June 30, 2024, none of the District’s bank balances were exposed to custodial credit risk.

Investments

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

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

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District’s investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District’s investments in Texas CLASS are reported at net asset value.

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

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 185,679	\$ 185,679	\$ -	\$ -	\$ -

Montgomery County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2024

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. 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 investments in Texas CLASS were rated “AAAm” by Standard & Poor’s.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at June 30, 2024, as follows:

Carrying value:		
Deposits	\$	16,694
Investments		<u>185,679</u>
Total	<u>\$</u>	<u>202,373</u>

Investment Income

Investment income of \$5,231 for the year ended June 30, 2024 , consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of June 30, 2024 :

- Pooled investments of \$185,679 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2024, were as follows:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Increases</u>	<u>Balances, End of Year</u>	<u>Amounts Due in One Year</u>
Due to developer - advances	\$ 228,239	\$ 100,000	\$ 328,239	\$ -
Due to developer - construction	<u>483,255</u>	<u>438,616</u>	<u>921,871</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 711,494</u>	<u>\$ 538,616</u>	<u>\$ 1,250,110</u>	<u>\$ -</u>

Bonds voted:

Water, sanitary sewer and drainage facilities	\$ 127,200,000
Road facilities	106,400,000
Park and recreational facilities	24,500,000

Montgomery County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2024

Refunding bonds voted:

Water, sanitary sewer and drainage facilities	\$ 63,600,000
Road facilities	53,200,000
Park and recreational facilities	12,250,000

Due to Developer

The developer of the District has constructed facilities on behalf of the District. The District has agreed to reimburse the developer for these costs plus interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$921,871. These amounts have been recorded in the government-wide financial statements as long-term liabilities.

Note 4. Maintenance Taxes

At an election held May 7, 2022, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended June 30, 2024, the District levied an ad valorem maintenance tax at a rate of \$1.10 per \$100 of assessed valuation, which resulted in a tax levy of \$187,557 on the taxable valuation of \$17,050,660 for the 2023 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 5. Agreement with the City of Conroe

The District operates pursuant to a Utility Functions Agreement (the Utility Agreement) between the City and the District dated January 14, 2021, and as amended August 24, 2023. Pursuant to the Utility Agreement, the City consented to the creation of the District within the city limits of the City, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, sanitary sewer collection, transportation and treatment, stormwater collection and drainage systems and road and paving facilities to serve development occurring within the boundaries of the District (the Facilities). The City will provide water supply and wastewater treatment capacity to the District in consideration of the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without capital charges of any kind.

Under the Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities. However, the Utility Agreement expressly provides that such condition is not a limitation of the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount.

The City's right to dissolve the District is restricted under the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until 95% of the District's Facilities have been developed and the developer advancing funds to construct the Facilities has been reimbursed.

Note 6. Risk Management

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

Note 7. Contingencies

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated current construction amounts are approximately \$2,760,400. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 8. Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay future property taxes.

Since inception, the developer has advanced \$328,239 to the District for operations. The District does not have sufficient funds nor anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Required Supplementary Information

**Montgomery County Municipal Utility District No. 183
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$ 175,000	\$ 187,557	\$ 12,557
Penalty and interest	-	396	396
Investment income	-	5,231	5,231
	<u>175,000</u>	<u>193,184</u>	<u>18,184</u>
Total revenues			
Expenditures			
Service operations:			
Professional fees	118,000	63,618	54,382
Contracted services	30,000	29,719	281
Other expenditures	31,020	24,499	6,521
Capital outlay	-	156,063	(156,063)
	<u>179,020</u>	<u>273,899</u>	<u>(94,879)</u>
Total expenditures			
Deficiency of Revenues Over Expenditures	(4,020)	(80,715)	(76,695)
Other Financing Sources			
Developer advances received	4,020	100,000	95,980
	<u>4,020</u>	<u>100,000</u>	<u>95,980</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	19,285	19,285
Fund Balance, Beginning of Year	<u>165,715</u>	<u>165,715</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 165,715</u>	<u>\$ 185,000</u>	<u>\$ 19,285</u>

Montgomery County Municipal Utility District No. 183
Notes to Required Supplementary Information
June 30, 2024

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2024.

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

Supplementary Information

Montgomery County Municipal Utility District No. 183
Other Schedules Included Within This Report
June 30, 2024

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

- Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 9-16
- Schedule of Services
- Schedule of General Fund Expenditures
- Schedule of Temporary Investments
- Analysis of Taxes Levied and Receivable
- Schedule of Long-Term Debt Service Requirements by Years – Not Applicable
- Changes in Long-Term Bonded Debt – Not Applicable
- Comparative Schedule of Revenues and Expenditures – General Fund – Two Years
- Board Members, Key Personnel and Consultants

Montgomery County Municipal Utility District No. 183
Schedule of Services
Year Ended June 30, 2024

1. Services to be provided by the District:

- | | | |
|---|---|--|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input checked="" type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input checked="" type="checkbox"/> Other Services are provided by the City of Conroe. | | |
-

Montgomery County Municipal Utility District No. 183
Schedule of General Fund Expenditures
Year Ended June 30, 2024

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	12,700	
Legal		44,228	
Engineering		6,690	
Financial advisor		-	63,618
Purchased Services for Resale			
Bulk water and wastewater service purchases			-
Regional Water Fee			-
Contracted Services			
Bookkeeping		21,134	
Appraisal district		1,730	
Tax collector		6,855	
Security		-	
Other contracted services		-	29,719
Utilities			-
Repairs and Maintenance			-
Administrative Expenditures			
Directors' fees		8,177	
Office supplies		1,819	
Insurance		3,322	
Other administrative expenditures		11,181	24,499
Capital Outlay			
Capitalized assets		-	
Expenditures not capitalized		156,063	156,063
Total expenditures			<u>\$ 273,899</u>

Montgomery County Municipal Utility District No. 183
Schedule of Temporary Investments
June 30, 2024

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund Texas CLASS	5.44%	Demand	\$ 185,679	\$ -

Montgomery County Municipal Utility District No. 183
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2024

	Maintenance Taxes
Receivable, Beginning of Year	\$ -
2023 Original Tax Levy	<u>187,557</u>
Total to be accounted for	187,557
Current year tax collections	<u>(187,557)</u>
Receivable, end of year	<u><u>\$ -</u></u>

Montgomery County Municipal Utility District No. 183
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2024

(Continued)

	<u>2023</u>	<u>2022</u>
Property Valuations		
Land	\$ 16,960,500	\$ 16,760,500
Improvements	90,160	74,400
Total property valuations	<u>\$ 17,050,660</u>	<u>\$ 16,834,900</u>
Tax Rates per \$100 Valuation		
Maintenance tax rates*	<u>\$ 1.1000</u>	<u>\$ 1.1000</u>
Tax Levy	<u>\$ 187,557</u>	<u>\$ 185,184</u>
Percent of Taxes Collected to Taxes Levied**	<u>100%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 on May 7, 2022

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

**Montgomery County Municipal Utility District No. 183
Comparative Schedule of Revenues and Expenditures – General Fund
Two Years Ended June 30,**

	Amounts		Percent of Fund Total Revenues	
	2024	2023	2024	2023
General Fund				
Revenues				
Property taxes	\$ 187,557	\$ 185,184	97.1 %	93.5 %
Penalty and interest	396	12,962	0.2	6.5
Investment income	5,231	-	2.7	-
Total revenues	193,184	198,146	100.0	100.0
Expenditures				
Service operations:				
Professional fees	63,618	93,675	32.9	47.3
Contracted services	29,719	32,225	15.4	16.2
Other expenditures	24,499	53,036	12.7	26.8
Capital outlay	156,063	-	80.8	-
Total expenditures	273,899	178,936	141.8	90.3
Excess (Deficiency) of Revenues Over Expenditures	(80,715)	19,210	<u>(41.8) %</u>	<u>9.7 %</u>
Other Financing Sources				
Developer advances received	100,000	150,000		
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	19,285	169,210		
Fund Balance (Deficit), Beginning of Year	165,715	(3,495)		
Fund Balance, End of Year	<u>\$ 185,000</u>	<u>\$ 165,715</u>		
Total Active Retail Water Connections	<u>N/A</u>	<u>N/A</u>		
Total Active Retail Wastewater Connections	<u>N/A</u>	<u>N/A</u>		

**Montgomery County Municipal Utility District No. 183
Board Members, Key Personnel and Consultants
Year Ended June 30, 2024**

Complete District mailing address:	Montgomery County Municipal Utility District No. 183 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 13, 2022
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
Stephany King	Elected 05/22- 05/26	\$ 1,547	\$ 158	President
Emily Pruiett	Elected 05/22- 05/26	1,326	111	Vice President
Rosa Clay	Elected 05/22- 05/26	2,873	374	Secretary
Jeannie Barber	Elected 05/24- 05/28	884	132	Assistant Secretary
James Holt	Elected 05/24- 05/28	1,547	545	Assistant Secretary

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

**Montgomery County Municipal Utility District No. 183
Board Members, Key Personnel and Consultants
Year Ended June 30, 2024**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bob Leared Interests, Inc.	07/16/21	\$ 6,855	Tax Assessor/ Collector
Forvis Mazars, LLP	05/09/23	12,700	Auditor
LJA Engineering & Surveying, Inc.	07/22/21	162,753	Engineer
Masterson Advisors, LLC	07/16/21	-	Financial Advisor
Montgomery Central Appraisal District	Legislative Action	1,730	Appraiser
Municipal Accounts & Consulting, L.P.	07/16/21	21,686	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P	04/10/23	-	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	07/16/21	47,742	General Counsel
Investment Officers			
Mark Burton and Ghia Lewis	01/31/22	N/A	Bookkeepers