

**MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 152A**

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

August 31, 2024

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Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 152A
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. 152A (the "District"), as of and for the year ended August 31, 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 Montgomery County Municipal Utility District No. 152A, as of August 31, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the District implemented GASB Implementation Guide 2021-1, Question 5.1 during the current fiscal year. Our opinion is not modified with respect to this matter.

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.

***Board of Directors
Montgomery County Municipal Utility District No. 152A
Montgomery County, Texas***

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.

***Board of Directors
Montgomery County Municipal Utility District No. 152A
Montgomery County, Texas***

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Texas Supplementary Information schedules 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. The information 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

W. G. Gatt & Co, P.C.

Houston, Texas
December 18, 2024

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Management's Discussion and Analysis

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Montgomery County Municipal Utility District No. 152A
Management's Discussion and Analysis
August 31, 2024

Using this Annual Report

Within this section of the financial report of Montgomery County Municipal Utility District No. 152A (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

Montgomery County Municipal Utility District No. 152A
Management's Discussion and Analysis
August 31, 2024

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. 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, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at August 31, 2024, was negative \$10,655,280. This amount is negative because the District incurs debt to construct public road facilities which it conveys to Montgomery County. A comparative summary of the District's overall financial position, as of August 31, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 1,042,464	\$ 506,781
Capital assets	10,850,221	7,647,190
Total assets	<u>11,892,685</u>	<u>8,153,971</u>
Current liabilities	597,032	222,629
Long-term liabilities	21,950,933	16,397,731
Total liabilities	<u>22,547,965</u>	<u>16,620,360</u>
Net position		
Net investment in capital assets	(1,093,479)	(176,431)
Restricted	336,309	
Unrestricted	(9,898,110)	(8,289,958)
Total net position	<u>\$ (10,655,280)</u>	<u>\$ (8,466,389)</u>

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of a group of individual assets that are below the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. In accordance with this standard, the District recognized, as infrastructure capital assets, water meters that were previously expensed in prior fiscal years, net of related accumulated depreciation, as of the beginning of the current fiscal year. Prior year data has not been restated to include values for these

Montgomery County Municipal Utility District No. 152A
Management's Discussion and Analysis
August 31, 2024

infrastructure assets and, as a result, the presentation of prior year data as it relates to these assets is not consistent with the current year presentation (See Notes 3 and 6).

The total net position of the District decreased during the current fiscal year by \$2,330,434. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	\$ 298,746	\$ 48,452
Water and sewer service	265,728	51,886
Other	523,537	204,639
Total revenues	<u>1,088,011</u>	<u>304,977</u>
Expenses		
Current service operations	1,135,864	800,467
Debt interest and fees	226,531	
Developer interest	276,124	
Debt issuance costs	427,130	
Depreciation	277,394	176,431
Total expenses	<u>2,343,043</u>	<u>976,898</u>
Change in net position before other items	(1,255,032)	(671,921)
Other items		
Transfers to other governments	(2,154,842)	(6,262,504)
Write off of amounts due to developers	1,079,440	
Capital recovery fees		<u>789,285</u>
Change in net position	(2,330,434)	(6,145,140)
Net position, beginning of year (2024 restated)	<u>(8,324,846)</u>	<u>(2,321,249)</u>
Net position, end of year	<u>\$ (10,655,280)</u>	<u>\$ (8,466,389)</u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year and, as a result, has restated its beginning net position for the current fiscal year. Prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

Financial Analysis of the District's Funds

The District's combined fund balances, as of August 31, 2024, were \$545,432, which consists of \$258,468 in the General Fund, \$336,309 in the Debt Service Fund, and negative \$49,345 in the Capital Projects Fund.

Montgomery County Municipal Utility District No. 152A
Management's Discussion and Analysis
August 31, 2024

General Fund

A comparative summary of the General Fund's financial position as of August 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 755,500</u>	<u>\$ 506,781</u>
Total liabilities	\$ 497,032	\$ 222,629
Total fund balance	<u>258,468</u>	<u>284,152</u>
Total liabilities and fund balance	<u>\$ 755,500</u>	<u>\$ 506,781</u>

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2024	2023
Total revenues	\$ 1,061,384	\$ 304,977
Total expenditures	<u>(1,087,068)</u>	<u>(800,467)</u>
Revenues under expenditures	(25,684)	(495,490)
Other changes in fund balance		789,285
Net change in fund balance	<u>\$ (25,684)</u>	<u>\$ 293,795</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Water, sewer and groundwater pumpage fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

During the prior year, the District received \$789,285 in capital recovery fees from Conroe Independent School District.

Montgomery County Municipal Utility District No. 152A
Management's Discussion and Analysis
August 31, 2024

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position as of August 31, 2024 is as follows:

Total assets	<u>\$ 336,309</u>
Total fund balance	<u>\$ 336,309</u>

A summary of activities of the Debt Service Fund for the current fiscal year is as follows:

Total revenues	\$ 22,765
Total expenditures	<u>(226,531)</u>
Revenues under expenditures	(203,766)
Other changes in fund balance	<u>540,075</u>
Net change in fund balance	<u>\$ 336,309</u>

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2023 Unlimited Tax Road Bonds. A summary of the financial position of the Capital Projects Fund as of August 31, 2024, is as follows:

Total assets	<u>\$ 155</u>
Total liabilities	\$ 49,500
Total fund balance	<u>(49,345)</u>
Total liabilities and fund balance	<u>\$ 155</u>

A summary of activities in the Capital Projects Fund for the current fiscal year is as follows:

Total revenues	\$ 3,862
Total expenditures	<u>(4,513,132)</u>
Revenues under expenditures	(4,509,270)
Other changes in fund balance	<u>4,459,925</u>
Net change in fund balance	<u>\$ (49,345)</u>

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Montgomery County Municipal Utility District No. 152A
Management's Discussion and Analysis
August 31, 2024

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$25,684 less than budgeted. The *Budgetary Comparison Schedule* on page 40 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at August 31, 2024 and 2023, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Land and improvements	\$ 1,848,739	\$ 1,485,258
Capital assets being depreciated		
Infrastructure	6,935,871	5,057,559
Landscaping improvements	2,535,163	1,280,804
	<u>9,471,034</u>	<u>6,338,363</u>
Less accumulated depreciation		
Infrastructure	(278,754)	(112,391)
Landscaping improvements	(190,798)	(64,040)
	<u>(469,552)</u>	<u>(176,431)</u>
Depreciable capital assets, net	<u>9,001,482</u>	<u>6,161,932</u>
Capital assets, net	<u>\$ 10,850,221</u>	<u>\$ 7,647,190</u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current fiscal year. As a result, prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

Capital asset additions during the current fiscal year include the following:

- Woodson's Reserve Section 26 - utilities
- Woodson's Reserve Sections 21, 22 and 20/21 – landscape improvements
- Waterbend Cove, Woodson's Grand Drive, and Gia Lane – clearing and grubbing

Additionally, Montgomery County assumes responsibility (after a one-year maintenance period) for road facilities constructed by the District and within the unincorporated areas of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed. For the year ended August 31, 2024, capital

Montgomery County Municipal Utility District No. 152A
Management's Discussion and Analysis
August 31, 2024

assets in the amount of \$2,154,842 have been recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of August 31, 2024, the District owes approximately \$17,050,933 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$24,461,730 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

During the current fiscal year, the District issued \$5,000,000 in unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of August 31, 2023.

At August 31, 2024, the District had \$124,442,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$124,442,000 for the refunding of such bonds; \$36,920,000 for parks and recreational facilities and \$36,920,000 for the refunding of such bonds; and \$44,500,000 for road improvements and \$49,500,000 for the refunding of such bonds.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current fiscal year actual amounts for the General Fund is as follows:

	<u>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 1,061,384	\$ 1,506,192
Total expenditures	<u>(1,087,068)</u>	<u>(1,210,346)</u>
Revenues over/(under) expenditures	(25,684)	295,846
Beginning fund balance	284,152	258,468
Ending fund balance	<u>\$ 258,468</u>	<u>\$ 554,314</u>

Property Taxes

The District's property tax base increased approximately \$49,543,000 (based on certified values) for the 2024 tax year from \$25,564,657 to \$75,107,579. This increase was primarily due to new construction in the District and increased property values. For the 2024 tax year, the District has levied a maintenance tax rate of \$0.79 per \$100 of assessed value and a debt service tax rate of \$0.31 per

***Montgomery County Municipal Utility District No. 152A
Management's Discussion and Analysis
August 31, 2024***

\$100 of assessed value, for a total combined tax rate of \$1.10 per \$100 of assessed value. Tax rate for the 2023 tax year was \$1.10 per \$100 of assessed value, all of which was allocated to maintenance and operations.

Basic Financial Statements

Montgomery County Municipal Utility District No. 152A
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	\$ 185,489	\$ -	\$ 155	\$ 185,644
Investments	339,045	336,309		675,354
Customer service receivables, net	41,222			41,222
Internal balances	49,500		(49,500)	
Operating reserve	56,708			56,708
Other receivables	83,536			83,536
Capital assets not being depreciated				
Capital assets, net				
Total Assets	<u>\$ 755,500</u>	<u>\$ 336,309</u>	<u>\$ (49,345)</u>	<u>\$ 1,042,464</u>
Liabilities				
Accounts payable	\$ 217,523	\$ -	\$ -	\$ 217,523
Other payables	1,119			1,119
Customer deposits	154,695			154,695
Unearned revenue	123,695			123,695
Due to developers				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	<u>497,032</u>			<u>497,032</u>
Fund Balances/Net Position				
Fund Balances				
Nonspendable	56,708			56,708
Restricted		336,309		336,309
Unassigned	201,760		(49,345)	152,415
Total Fund Balances	<u>258,468</u>	<u>336,309</u>	<u>(49,345)</u>	<u>545,432</u>
Total Liabilities and Fund Balance	<u>\$ 755,500</u>	<u>\$ 336,309</u>	<u>\$ (49,345)</u>	<u>\$ 1,042,464</u>
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 185,644
	675,354
	41,222
	56,708
	83,536
1,848,739	1,848,739
9,001,482	9,001,482
<u>10,850,221</u>	<u>11,892,685</u>
	217,523
	1,119
	154,695
	123,695
17,050,933	17,050,933
100,000	100,000
4,900,000	4,900,000
<u>22,050,933</u>	<u>22,547,965</u>
(56,708)	
(336,309)	
<u>(152,415)</u>	
<u>(545,432)</u>	
(1,093,479)	(1,093,479)
336,309	336,309
<u>(9,898,110)</u>	<u>(9,898,110)</u>
<u>\$ (10,655,280)</u>	<u>\$ (10,655,280)</u>

Montgomery County Municipal Utility District No. 152A
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended August 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Water service	\$ 143,739	\$ -	\$ -	\$ 143,739
Sewer service	121,989			121,989
Property taxes	281,211			281,211
Penalties and interest	17,535			17,535
Groundwater pumpage fees	67,944			67,944
Tap connection and inspection	401,350			401,350
Miscellaneous	11,483			11,483
Investment earnings	16,133	22,765	3,862	42,760
Total Revenues	1,061,384	22,765	3,862	1,088,011
Expenditures/Expenses				
Current service operations				
Purchased services	404,642			404,642
Professional fees	167,375		48,750	216,125
Contracted services	350,488			350,488
Repairs and maintenance	122,033			122,033
Utilities	6,504			6,504
Administrative	31,571			31,571
Other	4,455		46	4,501
Capital outlay			3,761,082	3,761,082
Debt service				
Interest and fees		226,531		226,531
Developer interest			276,124	276,124
Debt issuance costs			427,130	427,130
Depreciation				
Total Expenditures/Expenses	1,087,068	226,531	4,513,132	5,826,731
Revenues Under Expenditures/Expenses	(25,684)	(203,766)	(4,509,270)	(4,738,720)
Other Financing Sources				
Proceeds from sale of bonds		540,075	4,459,925	5,000,000
Other Items				
Transfers to other governments				
Write off of due to developers				
Net Change in Fund Balance	(25,684)	336,309	(49,345)	261,280
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year, as reported	284,152			284,152
Change due to new accounting guidance (see Note 3)				
Beginning of the year, as restated	284,152			284,152
End of the year	\$ 258,468	\$ 336,309	\$ (49,345)	\$ 545,432

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 143,739
	121,989
	281,211
	17,535
	67,944
	401,350
	11,483
	42,760
	<u>1,088,011</u>
	404,642
	216,125
	350,488
	122,033
	6,504
	31,571
	4,501
(3,761,082)	
	226,531
	276,124
	427,130
277,394	277,394
<u>(3,483,688)</u>	<u>2,343,043</u>
3,483,688	(1,255,032)
(5,000,000)	
(2,154,842)	(2,154,842)
<u>1,079,440</u>	<u>1,079,440</u>
(261,280)	
(2,330,434)	(2,330,434)
(8,750,541)	(8,466,389)
141,543	141,543
<u>(8,608,998)</u>	<u>(8,324,846)</u>
<u>\$ (11,200,712)</u>	<u>\$ (10,655,280)</u>

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Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Montgomery County Municipal Utility District No. 152A (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was created by the division of Montgomery County Municipal Utility District No. 152 (“No. 152”) which was created and established pursuant to House Bill No. 4154, 84th Session of the Texas Legislature, Regular Session dated May 27, 2015. No. 152 adopted an Order Dividing District and Redefining Boundaries which divided No. 152 into four districts: the District, Montgomery County Municipal Utility District No. 152B, Montgomery County Municipal Utility District No. 152C, and Montgomery County Municipal Utility District No. 152D, and assigned to the District all rights and obligations of No. 152. The Board of Directors of the District held its first meeting on January 20, 2022, and the District’s creation was confirmed at an election held May 7, 2022. The District operates pursuant to Chapter 7932, Texas Special District Local Laws Code, and Chapters 49 and 54, Texas Water Code.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities, park and recreational facilities, and road improvements. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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 statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. During the current fiscal year, financial resources included capitalized interest from the sale of bonds. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities, parks and recreational facilities and road improvements.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At August 31, 2024, an allowance of \$6,850 was provided for possible uncollectible water/sewer accounts. An allowance for uncollectible property taxes was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets are not capitalized. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	45 years
Landscaping improvements	20 years

The District’s improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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's nonspendable fund balance consists operating reserves paid to Montgomery County Municipal Utility District No. 105 for capacity in the joint wastewater treatment plant.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balance consists of capitalized interest from the sale of bonds in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. 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 and a deficit balance in the Capital Projects Fund.

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

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to other governmental entities and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$	545,432
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$	11,319,773
Less accumulated depreciation		<u>(469,552)</u>
Change due to capital assets		10,850,221
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bond payable.		
		(5,000,000)
Amounts due to developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		
		(17,050,933)
Total net position - governmental activities	<u>\$</u>	<u>(10,655,280)</u>

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balance - total governmental funds \$ 261,280

Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 3,761,082	
Depreciation expense	(277,394)	
		3,483,688

The issuance of long-term debt provides current financial resources to governmental funds; however, in *Statement of Net Position*, this amount is reported as a long-term liability. (5,000,000)

The District conveys certain assets to other governmental entities upon completion of construction. Since these improvements are funded by developers, financial resources are not expended in the fund financial statements. However, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (2,154,842)

The write off of amounts due to developers for prefunded construction does not provide financial resources at the fund level, but results in an adjustment to net position in *Statement of Activities*. 1,079,440

Change in net position of governmental activities \$ (2,330,434)

Note 3 – Implementation of New Accounting Guidance

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District’s acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position*.

Note 3 – Implementation of New Accounting Guidance (continued)

GASBIG 2021-1, Question 5.1 is required to be retroactively implemented, which means the District is required to record the acquisition of water meters that were expensed in previous fiscal years as infrastructure capital assets and to record the related accumulated depreciation at the beginning of the current fiscal year. Accordingly, the District has recorded a prior period adjustment to recognize \$141,543 in depreciable capital assets, which were measured at net book value (i.e., cost less accumulated depreciation) as of the beginning of the current fiscal year and increased its beginning net position by the same amount. Prior year amounts in the Management’s Discussion and Analysis and supplementary schedules were not restated.

Note 4 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or 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, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 4 – Deposits and Investments (continued)

Investments (investments)

As of August 31, 2024, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
Texas CLASS	General	\$ 339,045	AAAm	35 days
	Debt Service	336,309		
		\$ 675,354		

Texas CLASS

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and UMB Bank N.A., as the custodian.

The District’s investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 5 – Interfund Balances and Transactions

Amounts due to/from other funds at August 31, 2024, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 49,500	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Note 6 – Capital Assets

A summary of changes in capital assets, for the year ended August 31, 2024, is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Capital assets not being depreciated			
Land and improvements	\$ 1,485,258	\$ 363,481	\$ 1,848,739
Capital assets being depreciated			
Infrastructure	5,214,829	1,721,042	6,935,871
Landscaping improvements	1,280,804	1,254,359	2,535,163
	<u>6,495,633</u>	<u>2,975,401</u>	<u>9,471,034</u>
Less accumulated depreciation			
Infrastructure	(128,118)	(150,636)	(278,754)
Landscaping improvements	(64,040)	(126,758)	(190,798)
	<u>(192,158)</u>	<u>(277,394)</u>	<u>(469,552)</u>
Subtotal depreciable capital assets, net	<u>6,303,475</u>	<u>2,698,007</u>	<u>9,001,482</u>
Capital assets	<u><u>\$ 7,788,733</u></u>	<u><u>\$ 3,061,488</u></u>	<u><u>\$ 10,850,221</u></u>

Depreciation expense for the current fiscal year was \$277,394.

As discussed in Note 3, the District recorded a prior period adjustment to capitalize the acquisition of certain capital assets and accumulated depreciation at the beginning of the current fiscal year. In previous fiscal years, these costs were expensed. As a result, beginning balances for infrastructure capital assets in the current fiscal year are not consistent with prior year data.

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 7 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and parks and recreational facilities and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developers are reimbursed.

A developer within the District has also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developers during the year are as follows:

Due to developers, beginning of year	\$ 16,397,731
Developer reimbursements	(3,761,082)
Developer funded construction and adjustments	5,493,724
Write off of amounts due to developers	(1,079,440)
Due to developers, end of year	<u>\$ 17,050,933</u>

During the current fiscal year, the District executed an agreement with Montgomery County Municipal Utility District No. 152C (the “Master District”). Pursuant to the agreement, the Master District agreed to assume responsibility for reimbursing the developer for certain water and sanitary sewer facilities recognized as transfers to other governments in a previous fiscal year. As a result, the District has reduced the amount reported as due to developer.

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 7 – Due to Developers (continued)

In addition, the District will owe the developers approximately \$24,461,730, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Complete
Woodson's Reserve Section 24 - utilities and paving	\$ 2,512,430	97%
Woodson's Reserve Section 25 - utilities and paving	3,132,596	90%
Woodson's Reserve Section 27 - utilities and paving	1,588,879	76%
Woodson's Reserve Lexington Boulevard and Townsen Boulevard - utilities and paving*	2,883,667	64%
Woodson's Reserve Section 30 - clearing and grubbing	140,775	63%
Waterbend Cove - utilities and paving	5,980,016	5%
Woodson's Grand Drive - utilities and paving	3,565,544	0%
Woodson's Reserve Section 28 - utilities and paving	2,637,370	0%
Townsen Boulevard - utilities and paving	639,500	0%
Woodson's Reserve Section 24 - landscaping	454,873	13%
Woodson's Reserve Section 25 - landscaping	461,476	59%
Woodson's Reserve Section 26 - landscaping	323,579	61%
Woodson's Reserve Section 27 - landscaping	141,025	0%
	<u>\$ 24,461,730</u>	
District's share of contract*		

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 5,000,000</u>
Due within one year	<u>\$ 100,000</u>

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 8 – Long-Term Debt (continued)

The District’s bonds payable at August 31, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2023 Road	\$ 5,000,000	\$ 5,000,000	5.25% - 5.50%	September 1, 2025/2049	March 1, September 1	September 1, 2029

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At August 31, 2024, the District had authorized but unissued bonds in the amount of \$124,442,000 for water, sewer and drainage facilities and \$124,442,000 for the refunding of such bonds; \$36,920,000 for parks and recreational facilities and \$36,920,000 for the refunding of such bonds, \$44,500,000 for road improvements and \$49,500,000 for the refunding of such bonds.

On October 31, 2023, the District issued its \$5,000,000 Series 2023 Unlimited Tax Road Bonds at a net effective interest rate of 5.626448%. Proceeds of the bonds were used to reimburse developers for road facilities constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

The change in the District’s long-term debt during the fiscal year is as follows:

Bonds payable, beginning of year	\$ -
Bonds issued	5,000,000
Bonds payable, end of year	<u>\$ 5,000,000</u>

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 8 – Long-Term Debt (continued)

The debt service payment due September 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of August 31, 2024, annual debt service requirements on bonds outstanding are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2025	\$ 100,000	\$ 270,038	\$ 370,038
2026	105,000	264,788	369,788
2027	110,000	259,275	369,275
2028	115,000	253,500	368,500
2029	120,000	247,462	367,462
2030	130,000	241,162	371,162
2031	135,000	234,337	369,337
2032	140,000	227,250	367,250
2033	150,000	219,900	369,900
2034	160,000	212,025	372,025
2035	165,000	203,625	368,625
2036	175,000	194,963	369,963
2037	185,000	185,775	370,775
2038	195,000	176,063	371,063
2039	205,000	165,825	370,825
2040	220,000	154,550	374,550
2041	230,000	142,450	372,450
2042	245,000	129,800	374,800
2043	255,000	116,325	371,325
2044	270,000	102,300	372,300
2045	285,000	87,450	372,450
2046	300,000	71,775	371,775
2047	315,000	55,275	370,275
2048	335,000	37,950	372,950
2049	355,000	19,525	374,525
	<u>\$ 5,000,000</u>	<u>\$ 4,273,388</u>	<u>\$ 9,273,388</u>

Note 9 – Property Taxes

On May 7, 2022, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 9 – Property Taxes (continued)

All property values and exempt status, if any, are determined by the Montgomery Central 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.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$1.10 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$281,211 on the adjusted taxable value of \$25,564,657.

Note 10 – Transfers to Other Governments

In accordance with an agreement between the District and Montgomery County Municipal Utility District No. 152C (the Master District), the District may construct and transfer certain facilities to the Master District. Additionally, Montgomery County assumes responsibility for the maintenance of public roads constructed within the unincorporated areas of the county. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developers are subsequently reimbursed. For the year ended August 31, 2024, the District reported transfers to other governments in the amount of \$2,154,842 for road facilities constructed by a developer within the District.

Note 11 – Strategic Partnership Agreement

On January 5, 2021, the District and the City of Conroe (the "City") entered into a Strategic Partnership Agreement under which the City may annex the territory of the District for limited purposes and may by ordinance impose within the District any sales and use tax imposed by City within its full purpose boundaries. The territory of the District shall not be subject to property taxation by the City during the period of limited purpose annexation.

The District will be converted to full purpose annexation upon the earlier of the following dates (i) the time the District's has achieved 95% build out, or (ii) December 31, 2045, whichever occurs first, and the City agrees not to annex the District for full municipal purposes prior to such date. If the District is not at least 75% developed as of the later of (i) May 31, 2045, or (ii) two hundred ten (210) days prior to the full purpose annexation conversion date as defined in the agreement, the District's Board of Directors may elect to exercise a one-time (5) year extension of the date determined for full purpose annexation or the full purpose annexation conversion date.

Upon full purpose annexation the City may, subject to the limitation hereafter provided, (1) abolish the District and assume its debts and obligations or (2) continue the District as a limited district upon the terms hereinafter provided. If the District is continued as a limited district, it shall not be abolished, but shall continue to exist as a limited district until dissolved.

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 11 – Strategic Partnership Agreement (continued)

The City's full purpose annexation ordinance may require that the District retain all obligation for any indebtedness of the District and continue to exist as a limited district for so long as may be necessary for the limited district to fully discharge all such indebtedness, including any landowner or developer reimbursement payments that the City would otherwise be obligated to pay upon annexation or dissolution of the District. The limited district shall continue to be known as Montgomery County Municipal Utility District No. 152A and shall continue until the City dissolves the District and may not be dissolved without the consent of the City.

Note 12 – Interim Water Supply Service and Emergency Water Interconnect Agreement

On July 1, 2021, the District and Montgomery County Municipal Utility District No. 105 (“MUD 105”) entered into an Interim Water Supply Service and Emergency Water Interconnect Agreement (the “Agreement”), as subsequently amended on June 7, 2022, for the purchase of interim water supply and water to be used in the event of an emergency. The District shall be responsible for the design and construction of the facilities to provide water service from the point of interconnect. MUD 105 agrees to provide the District with 274 EFSCs during the interim term, which is anticipated to expire on April 30, 2025. During this interim term, the District shall be billed monthly fees for interim water service as set forth in the Agreement. For the fiscal year ended August 31, 2024, the District was charged \$51,438 for bulk water purchases.

Upon expiration of the initial term, the districts agree the point of interconnect shall thereafter be used as an emergency water interconnection. Water supplied will be billed at a rate of \$1.75 per 1,000 gallons, plus all associated pumpage and regulatory fees. The term of the Agreement is 30 years unless terminated earlier by the parties.

Note 13 – Master District Agreement

On October 19, 2022, the District entered into that certain Contract for Financing, Operation, and Maintenance of Master Water and Sanitary Sewer Facilities (the “Contract”) with Montgomery County Municipal Utility District No. 152B (“MUD 152B”) and Montgomery County Municipal Utility District No. 152C in its capacity as Master District (the “Master District”), whereby the Master District agrees to provide or cause to be provided water and sanitary sewer services to serve the participating districts. The term of the Contract is 50 years.

The Master District intends to finance the capital costs, as defined in the Contract, from connection charges paid by each participant, which is calculated by the then estimated total capital costs divided by the estimated total number of connections to be constructed within the service area. Participating districts shall satisfy the connection charge either by payment of money at the connection charge rate or by the transfer to the Master District of portions of the Master District facilities equal in value to the connection charge.

Montgomery County Municipal Utility District No. 152A
Notes to Financial Statements
August 31, 2024

Note 13 – Master District Agreement (continued)

The Contract authorized the establishment of an operating and maintenance reserve by the Master District calculated by multiplying the cost per connection by the number of connections projected to serve the participating district for the first month of the initial budget and multiplying such product by two.

The Master District charges each participating district a monthly fee for Master District operating and maintenance expenses based on the fixed and variable costs defined in the Contract. For the fiscal year ended August 31, 2024, the District was charged \$276,519 for its pro-rata share of operating costs.

On February 15, 2023, the District entered into a First Supplemental Agreement with the Master District, which was amended and restated March 20, 2024. Pursuant to the agreement, the District agreed to finance and construct certain Master District water and sanitary sewer facilities and, following conveyance of the facilities to the Master District, the Master District will assume developer reimbursement obligations for such facilities.

On March 20, 2024, the District and the Master District entered into a Second Supplemental Agreement whereby the Master District agreed to supply the District potable water and provide capacity in the Master District's sanitary sewage system sufficient to serve 499 ESFCs. The District agrees to pay the Master District \$22,574 per connection for a total of \$11,264,581. This amount was paid subsequent to year end with proceeds from the issuance of the District's Series 2024 Unlimited Tax Bonds. See Note 15 for additional information.

Note 14 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 15 – Subsequent Events

On September 24, 2024, the District issued its \$14,000,000 Series 2024 Unlimited Tax Bonds at a net effective rate of 4.329137%. Proceeds of the bonds were used to pay connection charges to the Master District and to pay capitalized interest into the Debt Service Fund.

Additionally, on October 30, 2024, the District issued its \$5,075,000 Series 2024 Unlimited Tax Road Bonds at a net effective rate of 4.038264%. Proceeds from the bonds were used to reimburse the District's developers for road facilities in the District.

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Required Supplementary Information

*Montgomery County Municipal Utility District No. 152A
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2024*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 100,000	\$ 143,739	\$ 43,739
Sewer service	100,000	121,989	21,989
Property taxes	274,866	281,211	6,345
Penalty and interest	6,000	17,535	11,535
Groundwater pumpage fees	20,000	67,944	47,944
Tap connection and inspection	197,020	401,350	204,330
Miscellaneous	700	11,483	10,783
Investment earnings	16,550	16,133	(417)
Total Revenues	<u>715,136</u>	<u>1,061,384</u>	<u>346,248</u>
Expenditures			
Current service operations			
Purchased services	371,090	404,642	(33,552)
Professional fees	142,000	167,375	(25,375)
Contracted services	290,600	350,488	(59,888)
Repairs and maintenance	21,115	122,033	(100,918)
Utilities	6,000	6,504	(504)
Administrative	33,014	31,571	1,443
Other	4,800	4,455	345
Total Expenditures	<u>868,619</u>	<u>1,087,068</u>	<u>(218,449)</u>
Revenues Under Expenditures	(153,483)	(25,684)	127,799
Other Financing Sources			
Developer advances	<u>153,483</u>		<u>(153,483)</u>
Net Change in Fund Balance		(25,684)	(25,684)
Fund Balance			
Beginning of the year	284,152	284,152	
End of the year	<u>\$ 284,152</u>	<u>\$ 258,468</u>	<u>\$ (25,684)</u>

Montgomery County Municipal Utility District No. 152A
Notes to Required Supplementary Information
August 31, 2024

Budgets and Budgetary Accounting

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. There were no amendments to the budget during the fiscal year.

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Texas Supplementary Information

Montgomery County Municipal Utility District No. 152A
TSI-1. Services and Rates
August 31, 2024

1. Services provided by the District During the Fiscal Year:

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 23.65	6,000	N	\$ 2.76	6,001 to 10,000
				\$ 3.94	10,001 to 15,000
				\$ 5.12	15,001 to 20,000
				\$ 6.30	20,001 to 30,000
				\$ 7.88	30,000 to no limit
Wastewater:	\$ 70.00		Y		to _____
SJRA Fee*:	\$ 3.17	1,000	N	\$ 3.17	1,000 to no limit
LSGCD Fee**:	\$ 0.094	1,000	N	\$ 0.094	1,000 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 67.33 Wastewater \$ 70.00

* San Jacinto River Authority fee

**Lone Star Groundwater Conservation District fee

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	200	196	x 1.0	196
1"	157	156	x 2.5	390
1.5"			x 5.0	
2"	5	5	x 8.0	40
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	363	358		651
Total Wastewater	345	345	x 1.0	345

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 152A
TSI-1. Services and Rates
August 31, 2024

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

*Gallons purchased:	<u>23,815,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>21,135,000</u>	(Gallons billed / Gallons purchased)
		<u>88.75%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Montgomery County

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: _____

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

Entirely Partly Not at all

ETJs in which the District is located: City of Conroe

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

*Purchased from Montgomery County Municipal Utility District No. 105

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 152A
TSI-2 General Fund Expenditures
For the Year Ended August 31, 2024

Purchased services	<u>\$ 404,642</u>
Professional fees	
Legal	106,508
Audit	13,500
Engineering	47,367
	<u>167,375</u>
Contracted services	
Bookkeeping	37,243
Operator	24,597
Garbage collection	18,244
Tap connection and inspection	259,634
Appraisal district fees	2,770
Tax collection fees	8,000
	<u>350,488</u>
Repairs and maintenance	<u>122,033</u>
Utilities	<u>6,504</u>
Administrative	
Directors fees	8,840
Printing and office supplies	9,661
Insurance	3,024
Other	10,046
	<u>31,571</u>
Other	<u>4,455</u>
Total expenditures	<u><u>\$ 1,087,068</u></u>

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 152A
TSI-3. Investments
August 31, 2024

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
Texas CLASS	Variable	N/A	\$ 339,045
Debt Service			
Texas CLASS	Variable	N/A	336,309
Total - All Funds			\$ 675,354

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 152A
TSI-4. Taxes Levied and Receivable
August 31, 2024

	Maintenance Taxes	
Taxes Receivable, Beginning of Year	\$	-
2023 Original Tax Levy		281,211
Tax collections:		
Current year		281,211
Taxes Receivable, End of Year	\$	-
	2023	2022
Property Valuations:		
Land	\$ 30,803,202	\$ 6,416,147
Improvements	4,326,310	
Personal Property	75,065	
Exemptions	(9,639,920)	(2,651,220)
Total Property Valuations	\$ 25,564,657	\$ 3,764,927
Tax Rates per \$100 Valuation:		
Maintenance tax rates	\$ 1.10	\$ 1.10
Adjusted Tax Levy:	\$ 281,211	\$ 41,414
Percentage of Taxes Collected to Taxes Levied **	100.00%	100.00%

* Maximum Maintenance 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.

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 152A
TSI-5. Long-Term Debt Service Requirements
Series 2023 Road--by Years
August 31, 2024

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ 100,000	\$ 270,038	\$ 370,038
2026	105,000	264,788	369,788
2027	110,000	259,275	369,275
2028	115,000	253,500	368,500
2029	120,000	247,462	367,462
2030	130,000	241,162	371,162
2031	135,000	234,337	369,337
2032	140,000	227,250	367,250
2033	150,000	219,900	369,900
2034	160,000	212,025	372,025
2035	165,000	203,625	368,625
2036	175,000	194,963	369,963
2037	185,000	185,775	370,775
2038	195,000	176,063	371,063
2039	205,000	165,825	370,825
2040	220,000	154,550	374,550
2041	230,000	142,450	372,450
2042	245,000	129,800	374,800
2043	255,000	116,325	371,325
2044	270,000	102,300	372,300
2045	285,000	87,450	372,450
2046	300,000	71,775	371,775
2047	315,000	55,275	370,275
2048	335,000	37,950	372,950
2049	355,000	19,525	374,525
	<u>\$ 5,000,000</u>	<u>\$ 4,273,388</u>	<u>\$ 9,273,388</u>

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 152A
TSI-6. Change in Long-Term Bonded Debt
August 31, 2024

	<u>Bond Issue</u>
	<u>Series 2023</u>
	<u>Road</u>
Interest rate	5.25% - 5.50%
Dates interest payable	3/1 ; 9/1
Maturity dates	9/1/25 - 9/1/49
Beginning bonds outstanding	\$ -
Bonds issued	<u>5,000,000</u>
Ending bonds outstanding	<u>\$ 5,000,000</u>
Interest paid during fiscal year	<u>\$ 225,781</u>

Paying agent's name and city
 Series 2023 Road The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

	<u>Water, Sewer and</u>	<u>Parks and</u>	<u>Road</u>	<u>Water, Sewer</u>
	<u>Drainage Bonds</u>	<u>Recreation</u>	<u>Improvements</u>	<u>and Drainage</u>
		<u>Bonds</u>	<u>Bonds</u>	<u>Refunding</u>
Bond Authority:				<u>Bonds</u>
Amount Authorized by Voters	\$ 124,442,000	\$ 36,920,000	\$ 49,500,000	\$ 124,442,000
Amount Issued			(5,000,000)	
Remaining To Be Issued	<u>\$ 124,442,000</u>	<u>\$ 36,920,000</u>	<u>\$ 44,500,000</u>	<u>\$ 124,442,000</u>

	<u>Parks and</u>	<u>Road Refunding</u>
	<u>Recreation</u>	<u>Bonds</u>
	<u>Refunding Bonds</u>	<u>Bonds</u>
Bond Authority:		
Amount Authorized by Voters	\$ 36,920,000	\$ 49,500,000
Amount Issued		
Remaining To Be Issued	<u>\$ 36,920,000</u>	<u>\$ 49,500,000</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balance as of August 31, 2024:	<u>\$ 336,309</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 370,936</u>

See accompanying auditor's report.

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Montgomery County Municipal Utility District No. 152A

**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years**

	Amounts				
	2024	2023	2022	2021**	2020**
Revenues					
Water service	\$ 143,739	\$ 35,781	\$ -	\$ -	\$ -
Sewer service	121,989	16,105			
Property taxes	281,211	41,414			
Penalties and interest	17,535	7,038			
Groundwater pumpage fees	67,944	16,399			
Tap connection and inspection	401,350	166,685			
Miscellaneous	11,483	75			
Investment earnings	16,133	21,480	1	5	9
Total Revenues	<u>1,061,384</u>	<u>304,977</u>	<u>1</u>	<u>5</u>	<u>9</u>
Expenditures					
Current service operations					
Purchased services	404,642	308,472	9,826		6,207
Professional fees	167,375	142,472	248,019	69,974	4,248
Contracted services	350,488	257,327	19,381	5,755	
Repairs and maintenance	122,033	70,391			
Utilities	6,504	1,557			
Administrative	31,571	15,585	15,811	8,648	4,579
Other	4,455	4,663	11,407	1,515	198
Capital outlay			782,250		
Total Expenditures	<u>1,087,068</u>	<u>800,467</u>	<u>1,086,694</u>	<u>85,892</u>	<u>15,232</u>
Revenues Under Expenditures	<u>\$ (25,684)</u>	<u>\$ (495,490)</u>	<u>\$ (1,086,693)</u>	<u>\$ (85,887)</u>	<u>\$ (15,223)</u>
Total Active Retail Water Connections	<u>358</u>	<u>133</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>345</u>	<u>121</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

*Percentage is negligible

**Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021**	2020**
14%	12%	-%	-%	-%
11%	5%	-	-	-
26%	14%	-	-	-
2%	2%	-	-	-
6%	5%	-	-	-
38%	55%	-	-	-
1%	*	-	-	-
2%	7%	-	-	-
100%	100%	-	-	-
38%	101%	-	-	-
16%	47%	-	-	-
33%	84%	-	-	-
11%	23%	-	-	-
1%	1%	-	-	-
3%	5%	-	-	-
*	2%	-	-	-
102%	263%	-	-	-
(2%)	(163%)	-%	-%	-%

Montgomery County Municipal Utility District No. 152A
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Current Fiscal Year

	<u>Amounts</u>	<u>Percent of Fund</u>
	<u>2024</u>	<u>Total Revenues</u>
		<u>2024</u>
Revenues		
Investment earnings	\$ 22,765	100%
Expenditures		
Debt service		
Interest and fees	226,531	995%
Revenues Under Expenditures	\$ (203,766)	(895%)

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 152A
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended August 31, 2024

Complete District Mailing Address: 1300 Post Oak Blvd., Suite 2400, Houston, TX 77056
 District Business Telephone Number: (713) 632-4531
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): May 15, 2024
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Justin Cox	5/22 - 5/26	\$ 1,768	\$ -	President
Wesley Hightower	5/22 - 5/26	1,547		Vice President
Stanton Brown	5/24 - 5/28	2,210	100	Secretary
Peter Selber	5/24 - 5/28	1,547		Assistant Secretary
Tori Farrell	5/24 - 5/28	1,768	75	Assistant Secretary
Consultants				
		<u>Amounts Paid</u>		
Schwartz, Page & Harding, L.L.P.	2018			Attorney
<i>General legal fees</i>		\$ 115,809		
<i>Bond counsel</i>		135,917		
Municipal District Services, LLC	2021	382,046		Operator
Municipal Operations & Consulting, Inc.	2018	31,035		Bookkeeper
Bob Leared Interests, Inc.	2018	8,000		Tax Collector
Montgomery Central Appraisal District	Legislation	2,770		Property Valuation
Quiddity Engineering, LLC	2018	63,230		Engineer
Pape-Dawson Engineers, LLC	2024	7,969		Engineer
McGrath & Co., PLLC	2022	22,250		Auditor
Masterson Advisors LLC	2022	106,027		Financial Advisor
Costello, Inc.	2021	10,840		Former Engineer

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

See accompanying auditor's report.