

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

## **Montgomery County, Texas**

**Independent Auditor's Report, Financial Statements,  
and Supplementary Information**

August 31, 2025

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

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**August 31, 2025**

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## Independent Auditor's Report

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

### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 88 (District), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of August 31, 2025, 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 GAAS, 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  
January 14, 2026

**Montgomery County Municipal Utility District No. 88**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2025**

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### ***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 (Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that 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.

**Montgomery County Municipal Utility District No. 88**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2025**

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**Governmental Funds**

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

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

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

**Notes to Financial Statements**

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

**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**

	<b>2025</b>	<b>2024</b>
Current and other assets	\$ 25,978,070	\$ 19,667,332
Capital and lease assets	19,475,056	15,757,301
<b>Total assets</b>	<b>45,453,126</b>	<b>35,424,633</b>
Deferred outflows of resources	36,244	39,293
<b>Total assets and deferred outflows of resources</b>	<b>\$ 45,489,370</b>	<b>\$ 35,463,926</b>
Long-term liabilities	\$ 36,726,168	\$ 28,362,279
Other liabilities	1,320,238	455,303
<b>Total liabilities</b>	<b>38,046,406</b>	<b>28,817,582</b>

**Montgomery County Municipal Utility District No. 88**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2025**

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**Summary of Net Position (Continued)**

	<b>2025</b>	<b>2024</b>
Net position		
Net investment in capital assets	\$ (3,438,531)	\$ (2,650,177)
Restricted	3,306,712	2,113,498
Unrestricted	<u>7,574,783</u>	<u>7,183,023</u>
Total net position	<u>\$ 7,442,964</u>	<u>\$ 6,646,344</u>

The total net position of the District increased by \$796,620, or about 12%. The majority of the increase in net position is related to property tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Changes in Net Position**

	<b>2025</b>	<b>2024</b>
Revenues		
Property taxes	\$ 3,940,813	\$ 3,896,483
Charges for services	1,085,663	1,148,016
Other revenues	<u>902,939</u>	<u>884,838</u>
Total revenues	<u>5,929,415</u>	<u>5,929,337</u>
Expenses		
Services	2,445,023	2,044,680
Depreciation and amortization	776,834	734,700
Debt service	<u>1,910,938</u>	<u>1,176,401</u>
Total expenses	<u>5,132,795</u>	<u>3,955,781</u>
Change in net position	796,620	1,973,556
Net position, beginning of year	<u>6,646,344</u>	<u>4,672,788</u>
Net position, end of year	<u>\$ 7,442,964</u>	<u>\$ 6,646,344</u>

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

The District's combined fund balances as of the end of the fiscal year ended August 31, 2025 were \$24,674,094, an increase of \$5,454,055 from the prior year.

The general fund's fund balance increased by \$360,798 primarily due to property tax and service revenues and investment income exceeding service operation and lease payments expenditures.

The debt service fund's fund balance increased by \$1,605 primarily due to property tax revenues and investment income exceeding bond principal and interest requirements.

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**Management's Discussion and Analysis**  
**Year Ended August 31, 2025**

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The capital projects fund's fund balance increased by \$5,091,652 due to investment income and proceeds from the sale of the Series 2025 bonds exceeding capital outlay expenditures and debt issuance costs.

**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 investment income being greater than anticipated and water service revenues, contracted services expenditures, and capital outlay expenditures being less than anticipated. The fund balance as of August 31, 2025 was expected to be \$7,277,622, and the actual end-of-year fund balance was \$7,538,704.

**Capital and Lease Assets and Related Debt**

**Capital and Lease Assets**

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

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

	<b>2025</b>	<b>2024</b>
Land and improvements	\$ 775,109	\$ 775,109
Construction in progress	5,450,288	1,153,240
Water facilities	2,423,793	2,548,840
Wastewater facilities	5,041,538	5,278,485
Drainage facilities	5,517,109	5,507,046
Recreational facilities	42,514	45,171
Lease assets	<u>224,705</u>	<u>449,410</u>
 Total capital and lease assets	 <u>\$ 19,475,056</u>	 <u>\$ 15,757,301</u>

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

Construction in progress related to the 0.3 MGD wastewater treatment plant replacement and	\$ 4,297,048
Birnham Woods Drive pedestrian bridge	<u>197,541</u>
Kinder Morgan pipeline drainage improvements	<u>197,541</u>
 Total additions to capital and lease assets	 <u>\$ 4,494,589</u>

**Debt**

The changes in the debt position of the District during the fiscal year ended August 31, 2025 are summarized as follows:

Long-term debt payable, beginning of year	\$ 28,362,279
Increases in long-term debt	9,467,200
Decreases in long-term debt	<u>(1,103,311)</u>
 Long-term debt payable, end of year	 <u>\$ 36,726,168</u>

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**Management's Discussion and Analysis**  
**Year Ended August 31, 2025**

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At August 31, 2025, the District had \$18,010,000 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.

The District's bonds carry an underlying rating of "Baa2" from Moody's Investors Service (Moody's). The Series 2016, 2018, 2020 refunding, 2021, 2023 and 2025 bonds carry a "AA" rating from Standard & Poor's and an "A1" rating from Moody's by virtue of bond insurance issued by Assured Guaranty Inc. The Series 2017 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

***Other Relevant Factors***

***Relationship to the City of Houston***

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

**Montgomery County Municipal Utility District No. 88**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**August 31, 2025**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets</b>						
Cash	\$ 256,345	\$ 36,032	\$ 10,540,635	\$ 10,833,012	\$ -	\$ 10,833,012
Certificates of deposit	230,000	-	5,486,503	5,716,503	-	5,716,503
Short-term investments	7,407,485	1,493,108	197,227	9,097,820	-	9,097,820
Receivables						
Property taxes	801	937	-	1,738	-	1,738
Service accounts	95,368	-	-	95,368	-	95,368
Accrued interest	8,280	-	89,438	97,718	-	97,718
Interfund receivables	-	70,972	53,236	124,208	(124,208)	-
Due from others	134,792	-	-	134,792	-	134,792
Prepaid expenditures	19,119	-	-	19,119	(18,000)	1,119
Capital and lease assets (net of accumulated depreciation and amortization)						
Land and improvements	-	-	-	-	775,109	775,109
Construction in progress	-	-	-	-	5,450,288	5,450,288
Infrastructure	-	-	-	-	12,982,440	12,982,440
Recreational facilities	-	-	-	-	42,514	42,514
Lease assets	-	-	-	-	224,705	224,705
<b>Total Assets</b>	<b>8,152,190</b>	<b>1,601,049</b>	<b>16,367,039</b>	<b>26,120,278</b>	<b>19,332,848</b>	<b>45,453,126</b>
<b>Deferred Outflows of Resources</b>						
Deferred amount on debt refundings	-	-	-	-	36,244	36,244
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 8,152,190</b>	<b>\$ 1,601,049</b>	<b>\$ 16,367,039</b>	<b>\$ 26,120,278</b>	<b>\$ 19,369,092</b>	<b>\$ 45,489,370</b>

**Montgomery County Municipal Utility District No. 88**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**August 31, 2025**

**(Continued)**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Liabilities</b>						
Accounts payable	\$ 195,186	\$ 4,485	\$ 436,914	\$ 636,585	\$ -	\$ 636,585
Retainage payable	-	-	390,362	390,362	-	390,362
Customer deposits	133,252	-	-	133,252	-	133,252
Due to others	160,039	-	-	160,039	-	160,039
Interfund payables	124,208	-	-	124,208	(124,208)	-
Long-term liabilities						
Due within one year	-	-	-	-	1,165,721	1,165,721
Due after one year	-	-	-	-	35,560,447	35,560,447
<b>Total Liabilities</b>	<b>612,685</b>	<b>4,485</b>	<b>827,276</b>	<b>1,444,446</b>	<b>36,601,960</b>	<b>38,046,406</b>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	801	937	-	1,738	(1,738)	-
<b>Fund Balances/Net Position</b>						
Fund balances						
Nonspendable, prepaid expenditures	19,119	-	-	19,119	(19,119)	-
Restricted						
Unlimited tax bonds	-	1,595,627	-	1,595,627	(1,595,627)	-
Water, sewer, and drainage	-	-	15,539,763	15,539,763	(15,539,763)	-
Assigned						
Operating reserve	135,140	-	-	135,140	(135,140)	-
Future expenditures	850,215			850,215	(850,215)	-
Unassigned	6,534,230	-	-	6,534,230	(6,534,230)	-
Total fund balances	7,538,704	1,595,627	15,539,763	24,674,094	(24,674,094)	-
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 8,152,190</b>	<b>\$ 1,601,049</b>	<b>\$ 16,367,039</b>	<b>\$ 26,120,278</b>		
Net position						
Net investment in capital assets					(3,438,531)	(3,438,531)
Restricted for debt service					1,596,564	1,596,564
Restricted for capital projects					1,710,148	1,710,148
Unrestricted					7,574,783	7,574,783
Total net position					<b>\$ 7,442,964</b>	<b>\$ 7,442,964</b>

**Montgomery County Municipal Utility District No. 88**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Year Ended August 31, 2025**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 1,762,500	\$ 2,186,565	\$ -	\$ 3,949,065	\$ (8,252)	\$ 3,940,813
Water service	272,206	-	-	272,206	-	272,206
Sewer service	474,183	-	-	474,183	-	474,183
Regional water fee	339,274	-	-	339,274	-	339,274
Penalty and interest	12,859	26,494	-	39,353	-	39,353
Tap connection and inspection fees	8,190	-	-	8,190	-	8,190
Investment income	348,827	111,993	380,572	841,392	-	841,392
Other income	14,004	-	-	14,004	-	14,004
<b>Total Revenues</b>	<b>3,232,043</b>	<b>2,325,052</b>	<b>380,572</b>	<b>5,937,667</b>	<b>(8,252)</b>	<b>5,929,415</b>
<b>Expenditures/Expenses</b>						
Service operations						
Purchased services	968,652	-	-	968,652	-	968,652
Professional fees	259,590	1,910	-	261,500	1,231	262,731
Contracted services	506,944	54,332	-	561,276	-	561,276
Utilities	80,915	-	-	80,915	-	80,915
Repairs and maintenance	437,162	-	-	437,162	-	437,162
Other expenditures	127,855	6,372	60	134,287	-	134,287
Capital outlay	309,627	-	4,186,193	4,495,820	(4,495,820)	-
Depreciation and amortization					776,834	776,834
Debt service						
Principal retirement	-	945,000	-	945,000	(945,000)	-
Interest and fees	-	1,315,833	-	1,315,833	60,738	1,376,571
Lease payments	216,000	-	-	216,000	(216,000)	-
Debt issuance costs	-	-	534,367	534,367	-	534,367
<b>Total Expenditures/Expenses</b>	<b>2,906,745</b>	<b>2,323,447</b>	<b>4,720,620</b>	<b>9,950,812</b>	<b>(4,818,017)</b>	<b>5,132,795</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>325,298</b>	<b>1,605</b>	<b>(4,340,048)</b>	<b>(4,013,145)</b>	<b>4,809,765</b>	
<b>Other Financing Sources (Uses)</b>						
Interfund transfers in (out)	35,500	-	(35,500)	-	-	-
General obligation bonds issued	-	-	9,760,000	9,760,000	(9,760,000)	
Discount on debt issued	-	-	(292,800)	(292,800)	292,800	
<b>Total Other Financing Sources</b>	<b>35,500</b>	<b>-</b>	<b>9,431,700</b>	<b>9,467,200</b>	<b>(9,467,200)</b>	
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>360,798</b>	<b>1,605</b>	<b>5,091,652</b>	<b>5,454,055</b>	<b>(5,454,055)</b>	
<b>Change in Net Position</b>					<b>796,620</b>	<b>796,620</b>
<b>Fund Balances/Net Position</b>						
Beginning of year	<b>7,177,906</b>	<b>1,594,022</b>	<b>10,448,111</b>	<b>19,220,039</b>	<b>-</b>	<b>6,646,344</b>
End of year	<b>\$ 7,538,704</b>	<b>\$ 1,595,627</b>	<b>\$ 15,539,763</b>	<b>\$ 24,674,094</b>	<b>\$ -</b>	<b>\$ 7,442,964</b>

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

## **Notes to Financial Statements**

**August 31, 2025**

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

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

The District is governed by a Board of Directors (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 that 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 funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

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

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

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

## **Notes to Financial Statements**

**August 31, 2025**

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

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

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

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

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

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

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

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

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are 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 funds revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures, and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues

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

## **Notes to Financial Statements**

**August 31, 2025**

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reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services, and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

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

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

### ***Interfund Transactions***

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

### ***Pension Costs***

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

### ***Use of Estimates***

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

### ***Investments and Investment Income***

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

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

### ***Property Taxes***

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes and 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 August 31, 2025 include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

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

## **Notes to Financial Statements**

**August 31, 2025**

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In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2025, the 2024 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

### **Capital Assets**

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

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

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

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years
Drainage facilities	10–45 years
Recreational facilities	10–25 years

### **Lease Assets**

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

### **Deferred Amount on Debt Refundings**

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

### **Debt Issuance Costs**

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

### **Long-Term Obligations**

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

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

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2025**

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**Net Position/Fund Balances**

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

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

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

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

Capital and lease assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	\$ 19,475,056
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	1,738
Prepaid lease expenditures are not reported as assets in the statement of net position.	(18,000)
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the fund financial statements.	36,244
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	<u>(36,726,168)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ (17,231,130)</u>

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

Change in fund balances.	\$ 5,454,055
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlay expenditures exceeded depreciation and amortization expense and noncapitalized costs in the current period.	3,717,755
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	292,800

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

### **Notes to Financial Statements**

**August 31, 2025**

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Governmental funds report proceeds from sales of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	\$ (8,815,000)
Governmental funds report lease payments as expenditures. For the statement of activities, these are reported as a reduction of lease liability and interest expense.	216,000
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	(8,252)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(60,738)</u>
Change in net position of governmental activities.	<u><u>\$ 796,620</u></u>

## **Note 2. Deposits and Investments**

### ***Deposits***

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

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

At August 31, 2025, none of the District's bank balances were exposed to custodial credit risk.

### ***Investments***

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

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

The District invests in TexSTAR, an external investment pool that is not registered with the Securities and Exchange Commission. TexSTAR is governed by a Board of Directors, made up of participants and representatives of the administrator and investment manager. The District's investments in TexSTAR are reported at amortized cost.

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2025**

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At August 31, 2025, the District has the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexSTAR	\$ 9,097,820	\$ -	\$ -	\$ -	\$ -

**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 August 31, 2025, the District's investments in TexSTAR 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 at August 31, 2025 as follows:

Carrying value	
Deposits	\$ 16,549,515
Investments	<u>9,097,820</u>
Total	<u>\$ 25,647,335</u>

Included in the following statement of net position captions:

Cash	\$ 10,833,012
Certificates of deposit	5,716,503
Short-term investments	<u>9,097,820</u>
Total	<u>\$ 25,647,335</u>

### **Investment Income**

Investment income of \$841,392 for the year ended August 31, 2025 consisted of interest income.

### **Note 3. Capital and Lease Assets**

A summary of changes in capital and lease assets for the year ended August 31, 2025 is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable			
Land and improvements	\$ 775,109	\$ -	\$ 775,109
Construction in progress	<u>1,153,240</u>	<u>4,297,048</u>	<u>5,450,288</u>
Total capital assets, non-depreciable	<u>1,928,349</u>	<u>4,297,048</u>	<u>6,225,397</u>

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2025**

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<b>Governmental Activities (Continued)</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital and lease assets, depreciable and amortizable			
Water production and distribution facilities	\$ 3,877,738	\$ -	\$ 3,877,738
Wastewater collection and treatment facilities	7,708,683	-	7,708,683
Drainage facilities	7,756,946	197,541	7,954,487
Recreational facilities	66,427	-	66,427
Lease asset – equipment	1,123,526	-	1,123,526
Total capital and lease assets, depreciable and amortizable	<u>20,533,320</u>	<u>197,541</u>	<u>20,730,861</u>
Less accumulated depreciation and amortization			
Water production and distribution facilities	(1,328,898)	(125,047)	(1,453,945)
Wastewater collection and treatment facilities	(2,430,198)	(236,947)	(2,667,145)
Drainage facilities	(2,249,900)	(187,478)	(2,437,378)
Recreational facilities	(21,256)	(2,657)	(23,913)
Lease asset – equipment	(674,116)	(224,705)	(898,821)
Total accumulated depreciation and amortization	<u>(6,704,368)</u>	<u>(776,834)</u>	<u>(7,481,202)</u>
Total governmental activities, net	<u>\$ 15,757,301</u>	<u>\$ 3,717,755</u>	<u>\$ 19,475,056</u>

#### **Note 4. Long-Term Liabilities**

Changes in long-term liabilities for the year ended August 31, 2025 were as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable					
General obligation bonds	\$ 28,720,000	\$ 9,760,000	\$ 945,000	\$ 37,535,000	\$ 960,000
Less discounts on bonds	<u>751,336</u>	<u>292,800</u>	<u>29,583</u>	<u>1,014,553</u>	<u>-</u>
Lease liability	27,968,664	9,467,200	915,417	36,520,447	960,000
	<u>393,615</u>	<u>-</u>	<u>187,894</u>	<u>205,721</u>	<u>205,721</u>
Total governmental activities long-term liabilities	<u>\$ 28,362,279</u>	<u>\$ 9,467,200</u>	<u>\$ 1,103,311</u>	<u>\$ 36,726,168</u>	<u>\$ 1,165,721</u>

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2025**

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**General Obligation Bonds**

	<b>Series 2014</b>	<b>Series 2016</b>
Amounts outstanding, August 31, 2025	\$1,625,000	\$3,585,000
Interest rates	2.000% to 4.125%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2026/2036	September 1, 2026/2039
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2022	September 1, 2023
	<b>Series 2017</b>	<b>Series 2018</b>
Amounts outstanding, August 31, 2025	\$3,100,000	\$4,750,000
Interest rates	2.00% to 3.50%	4.00% to 6.00%
Maturity dates, serially beginning/ending	September 1, 2026/2040	September 1, 2026/2042
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2024	September 1, 2024
	<b>Refunding Series 2020</b>	<b>Series 2021</b>
Amounts outstanding, August 31, 2025	\$1,565,000	\$1,950,000
Interest rates	2.00% to 3.00%	1.000% to 2.125%
Maturity dates, serially beginning/ending	September 1, 2026/2035	September 1, 2026/2042
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2026	September 1, 2026
	<b>Series 2023</b>	<b>Series 2025</b>
Amounts outstanding, August 31, 2025	\$11,200,000	\$9,760,000
Interest rates	4.00% to 6.50%	4.125% to 6.625%
Maturity dates, serially beginning/ending	September 1, 2027/2049	September 1, 2029/2052
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2029	September 1, 2031

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

**Montgomery County Municipal Utility District No. 88**  
**Notes to Financial Statements**  
**August 31, 2025**

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**Annual Debt Service Requirements**

The District has been paying the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2025:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 960,000	\$ 1,481,132	\$ 2,441,132
2027	1,050,000	1,455,856	2,505,856
2028	1,060,000	1,419,733	2,479,733
2029	1,100,000	1,382,606	2,482,606
2030	1,135,000	1,343,263	2,478,263
2031–2035	6,140,000	6,068,628	12,208,628
2036–2040	7,065,000	4,876,249	11,941,249
2041–2045	8,275,000	3,412,281	11,687,281
2046–2050	8,750,000	1,524,124	10,274,124
2051–2052	<u>2,000,000</u>	<u>131,250</u>	<u>2,131,250</u>
<b>Total</b>	<b><u>\$ 37,535,000</u></b>	<b><u>\$ 23,095,122</u></b>	<b><u>\$ 60,630,122</u></b>

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

Bonds voted	\$ 63,090,000
Bonds sold	45,080,000
Refunding bonds voted	41,000,000
Refunding bonds authorization used	120,000

**Lease Liability**

The following schedule shows the annual lease requirements to pay principal and interest on the lease liability outstanding at August 31, 2025:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	<u>\$ 205,721</u>	<u>\$ 10,279</u>	<u>\$ 216,000</u>

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

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2025, the District levied an ad valorem debt service tax at the rate of \$0.5900 per \$100 of assessed valuation, which resulted in a tax levy of \$2,242,659 on the taxable valuation of \$380,111,571 for the 2024 tax year. The interest and principal requirements paid from the tax revenues and available resources were \$2,255,133.

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

### **Notes to Financial Statements**

**August 31, 2025**

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#### **Note 6. Maintenance Taxes**

At an election held May 3, 2003, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended August 31, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.4800 per \$100 of assessed valuation, which resulted in a tax levy of \$1,824,535 on the taxable valuation of \$380,111,571 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

#### **Note 7. Wastewater Treatment Plant Lease**

On November 10, 2017, the District entered into an agreement for the lease of a wastewater treatment plant expansion to 0.3 MGD. The initial cost of the lease was \$26,400 per month and the initial term of the lease was 60 months following substantial completion of installation and startup of the equipment, which began November 1, 2018. After the initial term, the lease was extended on a month-to-month basis with monthly lease payments of \$18,000. Lease expenditures during the fiscal year ended August 31, 2025, were \$216,000. In connection with this lease, at August 31, 2025, the District has prepaid \$18,000 for future rent.

#### **Note 8. Contracts With Other Districts**

##### ***Storm Water Facilities Agreement***

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

	<b>Pump Station Facilities</b>	<b>Detention Facilities</b>
The District	31.248 %	26.834 %
District No. 89	41.634	42.809
Spring Creek	<u>27.118</u>	<u>30.357</u>
Totals	<u><u>100.000 %</u></u>	<u><u>100.000 %</u></u>

The District incurred costs of \$314,767 during the current year. The District has contributed \$26,080 as its share of an operating reserve.

##### ***Water Supply Agreement***

On October 7, 2004, the District and District No. 89 entered into a water facilities contract for the financing and construction of a second water plant and water well. Construction of the second water plant was completed during a prior year. On August 15, 2008, the District, District No. 89, and Spring Creek (collectively, Districts) entered into a First Amendment to Water Facilities Contract for expansion of District No. 89's Water Plant No. 2. On September 19, 2011, the Districts entered into a Second Amendment to Water Facilities Contract to allow construction to begin and to provide for the District to reimburse Spring Creek for its share of construction costs.

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

### **Notes to Financial Statements**

**August 31, 2025**

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On December 6, 2012, the Districts entered into a Third Amendment to Water Facilities Contract, to reduce Spring Creek's ultimate capacity in the facilities. On June 14, 2018, the Districts entered into a Fourth Amendment to the Water Facilities Contract, to allocate a portion of capacity from Spring Creek and District No. 89 to the District.

On October 4, 2018, the Districts entered into a Fifth Amendment to the Water Facilities Contract, to amend the treatment of and allocation of costs of operations and maintenance. On October 13, 2022, the Districts entered into a Sixth Amendment to the Water Facilities Contract in order for the District to purchase additional capacity in certain facilities from Spring Creek and District No. 89. Following this amendment, the District's ownership in the capacity of the plant is 29.1%, District No. 89's capacity is 14.0%, and Spring Creek's capacity is 56.9%.

District No. 89 is responsible for the operation and maintenance of the plant for the benefit of the participants. The participants share fixed operating costs, based on allocated capacity and variable costs based on each district's pro rata share of metered monthly usage. For the year ended August 31, 2025, the District's share of operating costs was \$265,997. The District has contributed \$109,060 as its share of an operating reserve.

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

District No. 89 has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply and Related Goods and Services (GRP Contract) with the San Jacinto River Authority (Authority) in order to meet the Lone Star Groundwater Conservation District (Conservation District) requirements. As a participant in the Authority's Groundwater Reduction Plan, District No. 89 has complied with all current Conservation District requirements for surface water conversion and is obligated to pay to the Authority a groundwater withdrawal fee for all groundwater produced and used by District No. 89, and will be required to pay a water purchase fee for any water actually purchased from the Authority in the future. As of August 31, 2025, the Authority was billing District No. 89 \$2.67 per 1,000 gallons of water pumped. This rate is subject to future adjustments. The District pays its Authority fees indirectly through its Water Facilities Contract with District No. 89. District No. 89 began billing the participants in July 2010. During the year ended August 31, 2025, the District incurred \$387,888 for groundwater withdrawal fees.

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

The District is within the boundaries of the Conservation District, which was created by the Texas Legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of August 31, 2025, the Conservation District was billing District No. 89 \$0.085 per 1,000 gallons of water pumped from its wells. The District pays its Conservation District fees indirectly through its Water Facilities Contract with District No. 89. The Conservation District fee is subject to future adjustments.

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

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

District No. 89 holds title for the benefit of the participants. The District's share of construction costs of the road utilities was funded by contribution of funds from developers within the District. At August 31, 2025, the District's 50% ownership of the road utilities is recorded as a capital asset of the District.

Operating costs are to be shared based on ownership. During the fiscal year ended August 31, 2025, the District was not billed for operating expenditures under the terms of the agreement.

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

### **Notes to Financial Statements**

**August 31, 2025**

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#### **Note 9. Risk Management**

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

***Required Supplementary Information***

**Montgomery County Municipal Utility District No. 88**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended August 31, 2025**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Property taxes	\$ 1,828,783	\$ 1,800,000	\$ 1,762,500	\$ (37,500)
Water service	330,000	330,000	272,206	(57,794)
Sewer service	440,000	440,000	474,183	34,183
Regional water fee	340,000	340,000	339,274	(726)
Penalty and interest	10,000	10,000	12,859	2,859
Tap connection and inspection fees	-	-	8,190	8,190
Investment income	200,000	200,000	348,827	148,827
Other	-	-	14,004	14,004
<b>Total Revenues</b>	<b>3,148,783</b>	<b>3,120,000</b>	<b>3,232,043</b>	<b>112,043</b>
<b>Expenditures</b>				
Service operations				
Purchased services	999,384	999,384	968,652	30,732
Professional fees	260,900	262,500	259,590	2,910
Contracted services	563,000	563,000	506,944	56,056
Utilities	75,000	75,000	80,915	(5,915)
Repairs and maintenance	358,000	406,400	437,162	(30,762)
Other expenditures	151,926	148,000	127,855	20,145
Capital outlay	350,000	350,000	309,627	40,373
Debt service, lease payments	216,000	216,000	216,000	-
<b>Total Expenditures</b>	<b>2,974,210</b>	<b>3,020,284</b>	<b>2,906,745</b>	<b>113,539</b>
<b>Excess of Revenues Over Expenditures</b>	<b>174,573</b>	<b>99,716</b>	<b>325,298</b>	<b>225,582</b>
<b>Other Financing Sources</b>				
Interfund transfers in	-	-	35,500	35,500
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>174,573</b>	<b>99,716</b>	<b>360,798</b>	<b>261,082</b>
<b>Fund Balance, Beginning of Year</b>	<b>7,177,906</b>	<b>7,177,906</b>	<b>7,177,906</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 7,352,479</b>	<b>\$ 7,277,622</b>	<b>\$ 7,538,704</b>	<b>\$ 261,082</b>

**Montgomery County Municipal Utility District No. 88**  
**Notes to Required Supplementary Information**  
**August 31, 2025**

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***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 is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2025.

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. 88**

**Other Schedules Included Within This Report**

**August 31, 2025**

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

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 11-23
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedules of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years
- [X] Board Members, Key Personnel, and Consultants

# Montgomery County Municipal Utility District No. 88

## Schedule of Services and Rates

Year Ended August 31, 2025

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1. Services provided by the District

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>	
					7,000 to 12,999	13,000 to 20,000
Water:	<u>\$ 12.00</u>	<u>6,999</u>	<u>N</u>	<u>\$ 1.50</u>	<u>7,000 to 12,999</u>	<u>13,000 to 20,000</u>
				<u>\$ 1.75</u>	<u>20,001 to No Limit</u>	
				<u>\$ 5.00</u>		
Wastewater:	<u>\$ 38.14</u>	<u>0</u>	<u>Y</u>			
Regional water fee:	<u>\$ 0.085</u>	<u>1</u>	<u>N</u>	<u>\$ 0.085</u>	<u>1 to No Limit</u>	
SJRA fee	<u>\$ 2.937</u>	<u>1</u>	<u>N</u>	<u>\$ 2.937</u>	<u>1 to No Limit</u>	

Does the District employ winter averaging for wastewater usage?

Yes    No   X  

Total charges per 10,000 gallons usage (including fees): Water \$ 48.22 Wastewater \$ 38.14

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	<u>1,072</u>	<u>1,068</u>	x1.0	<u>1,068</u>
1"	<u>6</u>	<u>6</u>	x2.5	<u>15</u>
1 1/2"	-	-	x5.0	-
2"	<u>10</u>	<u>10</u>	x8.0	<u>80</u>
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	<u>1,088</u>	<u>1,084</u>		<u>1,163</u>
Total wastewater	<u>1,071</u>	<u>1,067</u>	x1.0	<u>1,067</u>

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

Gallons pumped into the system: 178,721

Gallons billed to customers: 168,771

Water accountability ratio (gallons billed/gallons pumped): 94.43%

\*\*ESFC" means equivalent single-family connections

**Montgomery County Municipal Utility District No. 88**  
**Schedule of General Fund Expenditures**  
**Year Ended August 31, 2025**

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<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$ 22,900		
Legal	93,111		
Engineering	143,579		
Financial advisor	<u>-</u>		259,590
<b>Purchased Services for Resale</b>			
Bulk water and wastewater service purchases			968,652
<b>Regional Water Fee</b>			-
<b>Contracted Services</b>			
Bookkeeping	21,900		
General manager	<u>-</u>		
Appraisal district	<u>-</u>		
Tax collector	<u>-</u>		
Security	209,622		
Other contracted services	<u>46,134</u>		277,656
<b>Utilities</b>			80,915
<b>Repairs and Maintenance</b>			437,162
<b>Administrative Expenditures</b>			
Directors' fees	16,354		
Office supplies	54,277		
Insurance	36,115		
Other administrative expenditures	<u>21,109</u>		127,855
<b>Capital Outlay</b>			
Capitalized assets	309,627		
Expenditures not capitalized	<u>-</u>		309,627
<b>Tap Connection Expenditures</b>			-
<b>Solid Waste Disposal</b>			229,288
<b>Debt Service, Lease Payments</b>			216,000
<b>Parks and Recreation</b>			-
<b>Other Expenditures</b>			-
<b>Total Expenditures</b>		\$	2,906,745

**Montgomery County Municipal Utility District No. 88****Schedule of Temporary Investments****August 31, 2025**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
<b>General Fund</b>				
Certificate of Deposit				
No. 95900012269545	4.50%	11/12/25	\$ 230,000	\$ 8,280
TexSTAR	4.28%	Demand	<u>7,407,485</u>	<u>-</u>
			<u>7,637,485</u>	<u>8,280</u>
<b>Debt Service Fund</b>				
TexSTAR	4.28%	Demand	<u>1,493,108</u>	<u>-</u>
<b>Capital Projects Fund</b>				
Certificate of Deposit				
No. 66001094	4.25%	10/13/25	5,486,503	89,438
TexSTAR	4.28%	Demand	<u>197,227</u>	<u>-</u>
			<u>5,683,730</u>	<u>89,438</u>
<b>Totals</b>			<u><u>\$ 14,814,323</u></u>	<u><u>\$ 97,718</u></u>

**Montgomery County Municipal Utility District No. 88**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended August 31, 2025**

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	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 5,117	\$ 4,873
Additions and corrections to prior years' taxes	<u>(66,351)</u>	<u>(60,030)</u>
<b>Adjusted Receivable, Beginning of Year</b>	<u>(61,234)</u>	<u>(55,157)</u>
 <b>2024 Original Tax Levy</b>	1,785,536	2,194,722
Additions and corrections	<u>38,999</u>	<u>47,937</u>
Adjusted tax levy	<u>1,824,535</u>	<u>2,242,659</u>
 <b>Total to Be Accounted For</b>	1,763,301	2,187,502
 Tax (collections) repayments:		
Current year	(1,823,821)	(2,241,782)
Prior years	<u>61,321</u>	<u>55,217</u>
 <b>Receivable, End of Year</b>	<u>\$ 801</u>	<u>\$ 937</u>
 <b>Receivable, by Years</b>		
2024	\$ 714	\$ 877
2021	<u>87</u>	<u>60</u>
 <b>Receivable, End of Year</b>	<u>\$ 801</u>	<u>\$ 937</u>

**Montgomery County Municipal Utility District No. 88**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended August 31, 2025**

**(Continued)**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Property Valuations</b>				
Land	\$ 37,642,445	\$ 37,658,720	\$ 37,835,080	\$ 37,590,800
Improvements	376,986,192	366,567,760	324,139,930	247,458,040
Personal property	2,641,975	2,193,909	1,901,352	1,820,014
Exemptions	(37,159,041)	(46,474,620)	(37,770,449)	(10,120,379)
<b>Total Property Valuations</b>	<b>\$ 380,111,571</b>	<b>\$ 359,945,769</b>	<b>\$ 326,105,913</b>	<b>\$ 276,748,475</b>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.5900	\$ 0.5600	\$ 0.5500	\$ 0.5500
Maintenance tax rates*	0.4800	0.5400	0.7000	0.8000
<b>Total Tax Rates per \$100 Valuation</b>	<b>\$ 1.0700</b>	<b>\$ 1.1000</b>	<b>\$ 1.2500</b>	<b>\$ 1.3500</b>
<b>Tax Levy</b>	<b>\$ 4,067,194</b>	<b>\$ 3,959,403</b>	<b>\$ 4,076,326</b>	<b>\$ 3,736,107</b>
<b>Percent of Taxes Collected to Taxes Levied**</b>	<b>99%</b>	<b>100%</b>	<b>100%</b>	<b>99%</b>

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

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**August 31, 2025**

<b>Due During Fiscal Years Ending August 31</b>	<b>Series 2014</b>			<b>Total</b>
	<b>Principal Due September 1</b>	<b>Interest Due September 1, March 1</b>	<b> </b>	
2026	\$ 130,000	\$ 62,156		\$ 192,156
2027	130,000	57,931		187,931
2028	130,000	53,381		183,381
2029	130,000	48,831		178,831
2030	130,000	44,120		174,120
2031	130,000	39,244		169,244
2032	130,000	34,370		164,370
2033	130,000	29,494		159,494
2034	130,000	24,131		154,131
2035	130,000	18,770		148,770
2036	325,000	13,406		338,406
<b>Totals</b>	<b>\$ 1,625,000</b>	<b>\$ 425,834</b>		<b>\$ 2,050,834</b>

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**August 31, 2025**

**(Continued)**

<b>Due During Fiscal Years Ending August 31</b>	<b>Series 2016</b>			<b>Total</b>
	<b>Principal Due September 1</b>	<b>Interest Due September 1, March 1</b>	<b> </b>	
2026	\$ 195,000	\$ 116,813		\$ 311,813
2027	205,000	111,938		316,938
2028	210,000	105,787		315,787
2029	220,000	99,488		319,488
2030	230,000	92,887		322,887
2031	240,000	85,988		325,988
2032	250,000	78,487		328,487
2033	255,000	70,363		325,363
2034	270,000	62,075		332,075
2035	280,000	53,300		333,300
2036	290,000	43,850		333,850
2037	300,000	33,700		333,700
2038	315,000	23,200		338,200
2039	325,000	11,781		336,781
<b>Totals</b>	<b><u>\$ 3,585,000</u></b>	<b><u>\$ 989,657</u></b>		<b><u>\$ 4,574,657</u></b>

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**August 31, 2025**

**(Continued)**

<b>Due During Fiscal Years Ending August 31</b>	<b>Series 2017</b>		
	<b>Principal Due September 1</b>	<b>Interest Due September 1, March 1</b>	<b>Total</b>
2026	\$ 300,000	\$ 97,125	\$ 397,125
2027	200,000	90,000	290,000
2028	200,000	84,750	284,750
2029	200,000	78,750	278,750
2030	200,000	72,750	272,750
2031	200,000	66,500	266,500
2032	200,000	60,250	260,250
2033	200,000	54,000	254,000
2034	200,000	47,500	247,500
2035	200,000	41,000	241,000
2036	200,000	34,500	234,500
2037	200,000	28,000	228,000
2038	200,000	21,000	221,000
2039	200,000	14,000	214,000
2040	200,000	7,000	207,000
<b>Totals</b>	<b>\$ 3,100,000</b>	<b>\$ 797,125</b>	<b>\$ 3,897,125</b>

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**August 31, 2025**

**(Continued)**

<b>Due During Fiscal Years Ending August 31</b>	<b>Series 2018</b>		
	<b>Principal Due September 1</b>	<b>Interest Due September 1, March 1</b>	<b>Total</b>
2026	\$ 100,000	\$ 194,562	\$ 294,562
2027	100,000	190,562	290,562
2028	100,000	186,563	286,563
2029	100,000	182,562	282,562
2030	100,000	178,563	278,563
2031	100,000	174,563	274,563
2032	100,000	170,563	270,563
2033	100,000	166,562	266,562
2034	100,000	162,562	262,562
2035	100,000	158,563	258,563
2036	100,000	154,562	254,562
2037	450,000	150,562	600,562
2038	450,000	132,000	582,000
2039	450,000	113,438	563,438
2040	750,000	94,875	844,875
2041	775,000	63,937	838,937
2042	775,000	31,969	806,969
<b>Totals</b>	<b>\$ 4,750,000</b>	<b>\$ 2,506,968</b>	<b>\$ 7,256,968</b>

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**August 31, 2025**

**(Continued)**

<b>Due During Fiscal Years Ending August 31</b>	<b>Refunding Series 2020</b>			<b>Total</b>
	<b>Principal Due September 1</b>	<b>Interest Due September 1, March 1</b>		
2026	\$ 135,000	\$ 35,250		\$ 170,250
2027	140,000	31,200		171,200
2028	145,000	28,400		173,400
2029	150,000	25,500		175,500
2030	150,000	22,500		172,500
2031	160,000	19,500		179,500
2032	160,000	16,300		176,300
2033	170,000	12,700		182,700
2034	175,000	8,875		183,875
2035	180,000	4,500		184,500
<b>Totals</b>	<b><u>\$ 1,565,000</u></b>	<b><u>\$ 204,725</u></b>		<b><u>\$ 1,769,725</u></b>

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**August 31, 2025**

**(Continued)**

<b>Due During Fiscal Years Ending August 31</b>	<b>Series 2021</b>		
	<b>Principal Due September 1</b>	<b>Interest Due September 1, March 1</b>	<b>Total</b>
2026	\$ 100,000	\$ 38,563	\$ 138,563
2027	100,000	37,562	137,562
2028	100,000	35,563	135,563
2029	100,000	33,562	133,562
2030	100,000	31,563	131,563
2031	100,000	29,562	129,562
2032	100,000	27,563	127,563
2033	100,000	25,562	125,562
2034	100,000	23,563	123,563
2035	100,000	21,562	121,562
2036	100,000	19,563	119,563
2037	100,000	17,562	117,562
2038	100,000	15,563	115,563
2039	100,000	13,562	113,562
2040	100,000	11,563	111,563
2041	225,000	9,562	234,562
2042	225,000	4,781	229,781
<b>Totals</b>	<b><u>\$ 1,950,000</u></b>	<b><u>\$ 396,781</u></b>	<b><u>\$ 2,346,781</u></b>

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**August 31, 2025**

**(Continued)**

<b>Due During Fiscal Years Ending August 31</b>	<b>Series 2023</b>		
	<b>Principal Due September 1</b>	<b>Interest Due September 1, March 1</b>	<b>Total</b>
2026	\$ -	\$ 503,000	\$ 503,000
2027	175,000	503,000	678,000
2028	175,000	491,626	666,626
2029	175,000	480,250	655,250
2030	175,000	468,874	643,874
2031	175,000	457,500	632,500
2032	175,000	446,124	621,124
2033	175,000	434,750	609,750
2034	175,000	427,750	602,750
2035	175,000	420,750	595,750
2036	175,000	413,750	588,750
2037	175,000	406,750	581,750
2038	175,000	399,750	574,750
2039	175,000	392,750	567,750
2040	175,000	385,312	560,312
2041	175,000	377,876	552,876
2042	175,000	370,438	545,438
2043	1,200,000	363,000	1,563,000
2044	1,200,000	312,000	1,512,000
2045	1,200,000	261,000	1,461,000
2046	1,200,000	210,000	1,410,000
2047	1,200,000	159,000	1,359,000
2048	1,200,000	108,000	1,308,000
2049	1,200,000	54,000	1,254,000
<b>Totals</b>	<b><u>\$ 11,200,000</u></b>	<b><u>\$ 8,847,250</u></b>	<b><u>\$ 20,047,250</u></b>

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**August 31, 2025**

<b>Due During Fiscal Years Ending August 31</b>	<b>Series 2025</b>			<b>Total</b>
	<b>Principal Due September 1</b>	<b>Interest Due September 1, March 1</b>	<b> </b>	
2026	\$ -	\$ 433,663		\$ 433,663
2027	-	433,663		433,663
2028	-	433,663		433,663
2029	25,000	433,663		458,663
2030	50,000	432,006		482,006
2031	50,000	428,694		478,694
2032	75,000	425,381		500,381
2033	100,000	420,413		520,413
2034	125,000	413,788		538,788
2035	125,000	405,506		530,506
2036	125,000	397,225		522,225
2037	150,000	392,069		542,069
2038	175,000	385,881		560,881
2039	200,000	378,663		578,663
2040	285,000	370,412		655,412
2041	375,000	358,656		733,656
2042	425,000	343,187		768,187
2043	450,000	325,125		775,125
2044	500,000	306,000		806,000
2045	575,000	284,750		859,750
2046	650,000	260,312		910,312
2047	700,000	231,875		931,875
2048	750,000	201,250		951,250
2049	850,000	168,437		1,018,437
2050	1,000,000	131,250		1,131,250
2051	1,000,000	87,500		1,087,500
2052	1,000,000	43,750		1,043,750
<b>Totals</b>	<b>\$ 9,760,000</b>	<b>\$ 8,926,782</b>		<b>\$ 18,686,782</b>

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

**Montgomery County Municipal Utility District No. 88**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**August 31, 2025**

**(Continued)**

<b>Due During Fiscal Years Ending August 31</b>	<b>Annual Requirements For All Series</b>		
	<b>Total Principal Due</b>	<b>Total Interest Due</b>	<b>Total Principal and Interest Due</b>
2026	\$ 960,000	\$ 1,481,132	\$ 2,441,132
2027	1,050,000	1,455,856	2,505,856
2028	1,060,000	1,419,733	2,479,733
2029	1,100,000	1,382,606	2,482,606
2030	1,135,000	1,343,263	2,478,263
2031	1,155,000	1,301,551	2,456,551
2032	1,190,000	1,259,038	2,449,038
2033	1,230,000	1,213,844	2,443,844
2034	1,275,000	1,170,244	2,445,244
2035	1,290,000	1,123,951	2,413,951
2036	1,315,000	1,076,856	2,391,856
2037	1,375,000	1,028,643	2,403,643
2038	1,415,000	977,394	2,392,394
2039	1,450,000	924,194	2,374,194
2040	1,510,000	869,162	2,379,162
2041	1,550,000	810,031	2,360,031
2042	1,600,000	750,375	2,350,375
2043	1,650,000	688,125	2,338,125
2044	1,700,000	618,000	2,318,000
2045	1,775,000	545,750	2,320,750
2046	1,850,000	470,312	2,320,312
2047	1,900,000	390,875	2,290,875
2048	1,950,000	309,250	2,259,250
2049	2,050,000	222,437	2,272,437
2050	1,000,000	131,250	1,131,250
2051	1,000,000	87,500	1,087,500
2052	1,000,000	43,750	1,043,750
<b>Totals</b>	<b>\$ 37,535,000</b>	<b>\$ 23,095,122</b>	<b>\$ 60,630,122</b>

**Montgomery County Municipal Utility District No. 88**  
**Changes in Long-Term Bonded Debt**  
**Year Ended August 31, 2025**

	<b>Bond</b>		
	<b>Series 2014</b>	<b>Series 2016</b>	<b>Series 2017</b>
Interest rates	2.000% to 4.125%	2.00% to 4.00%	2.00% to 3.50%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2026/2036	September 1, 2026/2039	September 1, 2026/2040
Bonds outstanding, beginning of current year	\$ 1,750,000	\$ 3,775,000	\$ 3,400,000
Bonds sold during current year	-	-	-
Retirements, principal	<u>125,000</u>	<u>190,000</u>	<u>300,000</u>
Bonds outstanding, end of current year	<u>\$ 1,625,000</u>	<u>\$ 3,585,000</u>	<u>\$ 3,100,000</u>
Interest paid during current year	<u>\$ 65,906</u>	<u>\$ 121,563</u>	<u>\$ 103,875</u>

Paying agent's name and address

<b>Series 2014</b>	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
<b>Series 2016</b>	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
<b>Series 2017</b>	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
<b>Series 2018</b>	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
<b>Series 2020</b>	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
<b>Series 2021</b>	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
<b>Series 2023</b>	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
<b>Series 2025</b>	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority

	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 63,090,000	\$ -	\$ 41,000,000
Amount issued	\$ 45,080,000	\$ -	\$ 120,000
Remaining to be issued	\$ 18,010,000	\$ -	\$ 40,880,000

Debt service fund cash and temporary investment balances as of August 31, 2025: \$ 1,529,140

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,245,560

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**Issues**

<b>Refunding</b>					
<b>Series 2018</b>	<b>Series 2020</b>	<b>Series 2021</b>	<b>Series 2023</b>	<b>Series 2025</b>	<b>Totals</b>
4.00% to 6.00%	2.00% to 3.00%	1.000% to 2.125%	4.00% to 6.50%	4.125% to 6.625%	
September 1/ March 1					
September 1, 2026/2042	September 1, 2026/2035	September 1, 2026/2042	September 1, 2027/2049	September 1, 2029/2052	
\$ 4,850,000	\$ 1,695,000	\$ 2,050,000	\$ 11,200,000	\$ -	\$ 28,720,000
-	-	-	-	9,760,000	9,760,000
100,000	130,000	100,000	-	-	945,000
<u>\$ 4,750,000</u>	<u>\$ 1,565,000</u>	<u>\$ 1,950,000</u>	<u>\$ 11,200,000</u>	<u>\$ 9,760,000</u>	<u>\$ 37,535,000</u>
<u>\$ 198,563</u>	<u>\$ 39,150</u>	<u>\$ 39,562</u>	<u>\$ 503,000</u>	<u>\$ 238,514</u>	<u>\$ 1,310,133</u>

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

	<b>Amounts</b>				
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,762,500	\$ 1,907,593	\$ 2,281,242	\$ 2,217,795	\$ 1,584,783
Water service	272,206	301,352	244,009	256,392	162,308
Sewer service	474,183	477,220	449,826	399,017	345,994
Regional water fees	339,274	369,444	407,453	430,819	344,124
Penalty and interest	12,859	13,606	11,763	11,296	6,282
Tap connection and inspection fees	8,190	10,680	14,370	-	25,610
Investment income	348,827	351,539	191,138	1,674	5,505
Other income	14,004	15,315	12,560	25,199	21,093
<b>Total Revenues</b>	<b>3,232,043</b>	<b>3,446,749</b>	<b>3,612,361</b>	<b>3,342,192</b>	<b>2,495,699</b>
<b>Expenditures</b>					
Service operations					
Purchased services	968,652	546,802	801,328	747,073	560,336
Professional fees	259,590	291,234	243,194	202,346	181,709
Contracted services	506,944	514,309	526,939	487,112	295,270
Utilities	80,915	91,480	82,021	45,612	43,908
Repairs and maintenance	437,162	411,162	352,046	359,779	257,279
Other expenditures	127,855	115,562	95,267	94,984	78,278
Tap connections	-	-	-	40	27,440
Capital outlay	309,627	30,085	121,364	20,593	35,819
Debt service					
Lease payments	216,000	232,800	316,800	316,800	316,800
Debt issuance costs	-	35,500	4,250	4,250	3,500
<b>Total Expenditures</b>	<b>2,906,745</b>	<b>2,268,934</b>	<b>2,543,209</b>	<b>2,278,589</b>	<b>1,800,339</b>
<b>Excess of Revenues Over Expenditures</b>	<b>325,298</b>	<b>1,177,815</b>	<b>1,069,152</b>	<b>1,063,603</b>	<b>695,360</b>
<b>Other Financing Sources</b>					
Interfund transfers in	35,500	-	4,250	-	455,480
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>360,798</b>	<b>1,177,815</b>	<b>1,073,402</b>	<b>1,063,603</b>	<b>1,150,840</b>
<b>Fund Balance, Beginning of Year</b>	<b>7,177,906</b>	<b>6,000,091</b>	<b>4,926,689</b>	<b>3,863,086</b>	<b>2,712,246</b>
<b>Fund Balance, End of Year</b>	<b>\$ 7,538,704</b>	<b>\$ 7,177,906</b>	<b>\$ 6,000,091</b>	<b>\$ 4,926,689</b>	<b>\$ 3,863,086</b>
<b>Total Active Retail Water Connections</b>	<b>1,084</b>	<b>1,072</b>	<b>1,118</b>	<b>1,070</b>	<b>1,072</b>
<b>Total Active Retail Wastewater Connections</b>	<b>1,067</b>	<b>1,056</b>	<b>1,118</b>	<b>1,052</b>	<b>1,052</b>

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Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
54.5 %	55.4 %	63.2 %	66.3 %	63.5 %
8.4	8.7	6.8	7.7	6.5
14.7	13.9	12.4	12.0	13.9
10.5	10.7	11.3	12.9	13.8
0.5	0.4	0.3	0.3	0.3
0.2	0.3	0.4	-	1.0
10.8	10.2	5.3	0.1	0.2
0.4	0.4	0.3	0.7	0.8
<hr/> 100.0	<hr/> 100.0	<hr/> 100.0	<hr/> 100.0	<hr/> 100.0
30.0	15.9	22.2	22.4	22.4
8.0	8.4	6.7	6.0	7.3
15.7	14.9	14.6	14.6	11.8
2.5	2.7	2.3	1.4	1.8
13.5	11.9	9.7	10.8	10.3
3.9	3.3	2.6	2.8	3.1
-	-	-	0.0	1.1
9.6	0.9	3.4	0.6	1.4
6.7	6.8	8.8	9.5	12.7
-	1.0	0.1	0.1	0.2
<hr/> 89.9	<hr/> 65.8	<hr/> 70.4	<hr/> 68.2	<hr/> 72.1
<hr/> 10.1 %	<hr/> 34.2 %	<hr/> 29.6 %	<hr/> 31.8 %	<hr/> 27.9 %

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

	<b>Amounts</b>				
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 2,186,565	\$ 1,984,770	\$ 1,791,784	\$ 1,531,472	\$ 1,703,977
Penalty and interest	26,494	10,483	22,800	27,967	8,212
Investment income	111,993	124,844	86,569	592	2,280
Other income	-	20	-	-	-
<b>Total Revenues</b>	<b>2,325,052</b>	<b>2,120,117</b>	<b>1,901,153</b>	<b>1,560,031</b>	<b>1,714,469</b>
<b>Expenditures</b>					
Current					
Professional fees	1,910	6,018	4,884	9,192	1,152
Contracted services	54,332	51,088	43,326	43,088	40,579
Other expenditures	6,372	5,665	5,158	4,473	6,084
Debt service					
Principal retirement	945,000	930,000	920,000	905,000	790,000
Interest and fees	1,315,833	1,101,794	814,867	651,626	647,141
<b>Total Expenditures</b>	<b>2,323,447</b>	<b>2,094,565</b>	<b>1,788,235</b>	<b>1,613,379</b>	<b>1,484,956</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,605</b>	<b>25,552</b>	<b>112,918</b>	<b>(53,348)</b>	<b>229,513</b>
<b>Fund Balance, Beginning of Year</b>	<b>1,594,022</b>	<b>1,568,470</b>	<b>1,455,552</b>	<b>1,508,900</b>	<b>1,279,387</b>
<b>Fund Balance, End of Year</b>	<b>\$ 1,595,627</b>	<b>\$ 1,594,022</b>	<b>\$ 1,568,470</b>	<b>\$ 1,455,552</b>	<b>\$ 1,508,900</b>

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Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
94.1 %	93.6 %	94.2 %	98.2 %	99.4 %
1.1	0.5	1.2	1.8	0.5
4.8	5.9	4.6	0.0	0.1
-	0.0	-	-	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.1	0.3	0.2	0.6	0.1
2.3	2.4	2.3	2.7	2.4
0.3	0.3	0.3	0.3	0.3
40.6	43.8	48.4	58.0	46.1
<u>56.6</u>	<u>52.0</u>	<u>42.9</u>	<u>41.8</u>	<u>37.7</u>
<u>99.9</u>	<u>98.8</u>	<u>94.1</u>	<u>103.4</u>	<u>86.6</u>
<u>0.1 %</u>	<u>1.2 %</u>	<u>5.9 %</u>	<u>(3.4) %</u>	<u>13.4 %</u>

**Montgomery County Municipal Utility District No. 88  
Board Members, Key Personnel, and Consultants  
Year Ended August 31, 2025**

Complete District mailing address:	Montgomery County Municipal Utility District No. 88 c/o Mitchell, Zientek & Scruggs, LLP 24624 Interstate 45 North, Suite 200 The Woodlands, TX 77386
District business telephone number:	281.719.1990
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	August 12, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<b>Board Members</b>	<b>Term of Office Elected &amp; Expires</b>	<b>Fees*</b>	<b>Expense Reimbursements</b>	<b>Title at Year-End</b>
Ryan Tsamouris	Elected 05/22– 05/26	\$ 4,199	\$ -	President
Kent Doerries	Elected 05/22– 05/26	3,978	-	Vice President
Jeremy Davis	Elected 05/24– 05/28	3,536	-	Secretary
Michael Liberto	Appointed 11/24– 05/26	1,768	-	Assistant Secretary
Larry Douty	Appointed 02/25– 05/28	2,873	1,369	Director
Sidney Mealey	Appointed 05/24– 02/25	-	-	Resigned

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

**Montgomery County Municipal Utility District No. 88  
Board Members, Key Personnel, and Consultants  
Year Ended August 31, 2025**

**(Continued)**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Bob Leared Interests	11/01/01	\$ 25,854	Tax Assessor/Collector
Forvis Mazars, LLP	07/07/11	25,400	Auditor
Masterson Advisors LLC	05/10/18	176,751	Financial Advisor
Mitchell, Zientek & Scruggs, LLP	01/12/23	253,903 96,341	Bond Counsel General Counsel
Montgomery Central Appraisal District	Legislative Action	37,350	Appraiser
Municipal Operations & Consulting, Inc.	06/04/15	217,581	Operator
Myrtle Cruz, Inc.	11/01/01	31,820	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/01/07	1,910	Delinquent Tax Attorney
Quiddity Engineering, LLC	07/05/12	655,938	Engineer
<b>Investment Officer</b>			
Mary Jarmon	11/01/01	N/A	Bookkeeper