

**MONTGOMERY COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 205**

**MONTGOMERY COUNTY, TEXAS  
FINANCIAL REPORT**

**August 31, 2025**



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# **McGRATH & CO., PLLC**

*Certified Public Accountants*

2900 North Loop West, Suite 880  
Houston, Texas 77092

## **Independent Auditor's Report**

Board of Directors  
Montgomery County Water Control and Improvement District No. 205  
Montgomery County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Water Control and Improvement District No. 205 (the "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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Montgomery County Water Control and Improvement District No. 205, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

**Board of Directors**

**Montgomery County Water Control and Improvement District No. 205**

**Montgomery County, Texas**

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

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

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

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

**Board of Directors**

**Montgomery County Water Control and Improvement District No. 205**

**Montgomery County, Texas**

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

*McGrath & Co., P.C.C.*

Houston, Texas

December 17, 2025

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## **Management's Discussion and Analysis**

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# **Montgomery County Water Control and Improvement District No. 205**

## **Management's Discussion and Analysis**

**August 31, 2025**

### **Using this Annual Report**

This section of the financial report of Montgomery County Water Control and Improvement District No. 205 (the “District”) provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2025. This analysis should be read in conjunction with the independent auditor’s report and the basic financial statements that follow this section.

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

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

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

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

### **Government-Wide Financial Statements**

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

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

**Montgomery County Water Control and Improvement District No. 205**  
**Management's Discussion and Analysis**  
**August 31, 2025**

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

## **Fund Financial Statements**

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

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

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

The District's net position at August 31, 2025, was negative \$4,804,496. The District's net position is negative because the District incurs debt to construct public road facilities which it conveys to Montgomery County and because the District relies on advances from its developer to fund operating costs. A comparative summary of the District's overall financial position, as of August 31, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	\$ 793,356	\$ 67,751
Capital assets	<u>20,814,516</u>	<u>8,562,926</u>
Total assets	<u>21,607,872</u>	<u>8,630,677</u>
Current liabilities	173,863	249,083
Long-term liabilities	<u>26,238,505</u>	<u>10,086,803</u>
Total liabilities	<u>26,412,368</u>	<u>10,335,886</u>
Net position		
Net investment in capital assets	(1,135,638)	677,753
Restricted	358,422	
Unrestricted	<u>(4,027,280)</u>	<u>(2,382,962)</u>
Total net position	<u>\$ (4,804,496)</u>	<u>\$ (1,705,209)</u>

**Montgomery County Water Control and Improvement District No. 205**  
**Management's Discussion and Analysis**  
**August 31, 2025**

The total net position of the District decreased during the current fiscal year by \$3,099,287. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes, penalties and interest	\$ 427,772	\$ 105,318
Other	<u>41,234</u>	<u>787</u>
Total revenues	<u><u>469,006</u></u>	<u><u>106,105</u></u>
Expenses		
Operating and administrative	550,432	221,005
Debt interest and fees	295,344	
Developer interest	503,337	
Debt issuance costs	584,505	
Depreciation	<u>326,462</u>	<u>87,539</u>
Total expenses	<u><u>2,260,080</u></u>	<u><u>308,544</u></u>
Change in net position before other items	(1,791,074)	(202,439)
Other items		
Transfers to other governments	<u>(1,308,213)</u>	<u></u>
Change in net position	(3,099,287)	(202,439)
Net position, beginning of year	<u>(1,705,209)</u>	<u>(1,502,770)</u>
Net position, end of year	<u><u>\$ (4,804,496)</u></u>	<u><u>\$ (1,705,209)</u></u>

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

The District's combined fund balances, as of August 31, 2025, were \$708,936, which consists of \$61,632 in the General Fund, \$358,422 in the Debt Service Fund and \$288,882 in the Capital Projects Fund.

**Montgomery County Water Control and Improvement District No. 205**  
**Management's Discussion and Analysis**  
**August 31, 2025**

*General Fund*

A comparative summary of the General Fund's financial position as of August 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u><u>\$ 145,933</u></u>	<u><u>\$ 67,751</u></u>
Total liabilities	\$ 18,744	\$ 249,083
Total deferred inflows	65,557	
Total fund balance	61,632	(181,332)
Total liabilities, deferred inflows and fund balance	<u><u>\$ 145,933</u></u>	<u><u>\$ 67,751</u></u>

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

	2025	2024
Total revenues	\$ 366,793	\$ 106,105
Total expenditures	<u><u>(748,029)</u></u>	<u><u>(422,755)</u></u>
Revenues under expenditures	(381,236)	(316,650)
Other changes in fund balance	624,200	130,000
Net change in fund balance	<u><u>\$ 242,964</u></u>	<u><u>\$ (186,650)</u></u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- The District's developer advances funds to the District as needed to pay operating costs.

*Debt Service Fund*

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position of the Debt Service Fund as of August 31, 2025, is as follows:

Total assets	<u><u>\$ 358,422</u></u>
Total fund balance	<u><u>\$ 358,422</u></u>

**Montgomery County Water Control and Improvement District No. 205**  
**Management's Discussion and Analysis**  
**August 31, 2025**

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

Total revenues	\$ 24,366
Total expenditures	(295,344)
Revenues under expenditures	(270,978)
Other changes in fund balance	629,400
Net change in fund balance	<u><u>\$ 358,422</u></u>

*Capital Projects Fund*

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2024 Unlimited Tax Bonds. A summary of the financial position of the Capital Projects Fund as of August 31, 2025, is as follows:

Total assets	<u><u>\$ 289,001</u></u>
Total liabilities	\$ 119
Total fund balance	288,882
Total liabilities and fund balance	<u><u>\$ 289,001</u></u>

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

Total revenues	\$ 12,290
Total expenditures	(5,959,908)
Revenues under expenditures	(5,947,618)
Other changes in fund balance	6,236,500
Net change in fund balance	<u><u>\$ 288,882</u></u>

**General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$242,964 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

**Capital Assets**

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

**Montgomery County Water Control and Improvement District No. 205**  
**Management's Discussion and Analysis**  
**August 31, 2025**

Capital assets held by the District at August 31, 2025 and 2024, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Capital assets not being depreciated		
Land and improvements	\$ 6,605,004	\$ 4,576,745
Construction in progress	<u>201,750</u>	<u>201,750</u>
	<u>6,605,004</u>	<u>4,778,495</u>
Capital assets being depreciated		
Infrastructure	14,690,741	3,939,198
Less accumulated depreciation	<u>(481,229)</u>	<u>(154,767)</u>
Depreciable capital assets, net	<u>14,209,512</u>	<u>3,784,431</u>
Capital assets, net	<u><u>\$ 20,814,516</u></u>	<u><u>\$ 8,562,926</u></u>

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

- Woodson's Gully clearing, grubbing and detention
- Woodson's Reserve outfall channel, Phase two
- Woodson's Reserve outfall channel, Phase three

Additionally, Montgomery County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended August 31, 2025, capital assets in the amount of \$1,308,213 have been recorded as transfers to other governments in the government-wide statements.

### **Long-Term Debt and Related Liabilities**

As of August 31, 2025, the District owes approximately \$19,293,505 to its developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

During the current fiscal year, the District issued \$7,100,000 in unlimited tax bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of August 31, 2024.

At August 31, 2025, the District had \$83,743,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the drainage and storm sewer systems within the District and \$90,843,000 for the refunding of such bonds; \$75,450,000 for parks and recreational

**Montgomery County Water Control and Improvement District No. 205**  
**Management's Discussion and Analysis**  
**August 31, 2025**

facilities and \$75,450,000 for the refunding of such bonds and \$72,450,000 for road improvements and \$72,450,000 for the refunding of such bonds.

### **Property Taxes**

The District's property tax base increased approximately \$101,056,000 for the 2025 tax year from \$118,564,007 to \$219,619,962. This increase was primarily due to new construction in the District. For the 2025 tax year, the District has levied a maintenance tax rate of \$0.265 per \$100 of assessed value and a debt service tax rate of \$0.085 per \$100 of assessed value, for a total combined tax rate of \$0.35 per \$100 of assessed value. Tax rates for the 2024 tax year were \$0.35 per \$100, all of which was allocated to maintenance and operations.

### **Next Year's Budget**

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

	<u>2025 Actual</u>	<u>2026 Budget</u>
Total revenues	\$ 366,793	\$ 617,300
Total expenditures	(748,029)	(797,433)
Revenues under expenditures	(381,236)	(180,133)
Other changes in fund balance	624,200	180,133
Net change in fund balance	242,964	
Beginning fund balance	(181,332)	61,632
Ending fund balance	<u>\$ 61,632</u>	<u>\$ 61,632</u>

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## **Basic Financial Statements**

**Montgomery County Water Control and Improvement District No. 205**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**August 31, 2025**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 18,632	\$ -	\$ 128	\$ 18,760	\$ -	\$ 18,760
Investments	61,744	358,422	288,873	709,039		709,039
Taxes receivable	65,557			65,557		65,557
Capital assets not being depreciated					6,605,004	6,605,004
Capital assets, net					14,209,512	14,209,512
<b>Total Assets</b>	<b>\$ 145,933</b>	<b>\$ 358,422</b>	<b>\$ 289,001</b>	<b>\$ 793,356</b>	<b>20,814,516</b>	<b>21,607,872</b>
<b>Liabilities</b>						
Accounts payable	\$ 13,787	\$ -	\$ 119	\$ 13,906		13,906
Other payables	4,957			4,957		4,957
Due to developer					19,293,505	19,293,505
Long-term debt						
Due within one year					155,000	155,000
Due after one year					6,945,000	6,945,000
<b>Total Liabilities</b>	<b>18,744</b>		<b>119</b>	<b>18,863</b>	<b>26,393,505</b>	<b>26,412,368</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	65,557			65,557		(65,557)
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Restricted		358,422	288,882	647,304	(647,304)	
Unassigned	61,632			61,632	(61,632)	
<b>Total Fund Balances</b>	<b>61,632</b>	<b>358,422</b>	<b>288,882</b>	<b>708,936</b>	<b>(708,936)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 145,933</b>	<b>\$ 358,422</b>	<b>\$ 289,001</b>	<b>\$ 793,356</b>		
<b>Net Position</b>						
Net investment in capital assets					(1,135,638)	(1,135,638)
Restricted for debt service					358,422	358,422
Unrestricted					(4,027,280)	(4,027,280)
<b>Total Net Position</b>					<b>\$ (4,804,496)</b>	<b>\$ (4,804,496)</b>

See notes to basic financial statements.

**Montgomery County Water Control and Improvement District No. 205**  
**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended August 31, 2025**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 359,884	\$ -	\$ -	\$ 359,884	\$ 55,090	\$ 414,974
Penalties and interest	2,331			2,331	10,467	12,798
Miscellaneous	350			350		350
Investment earnings	4,228	24,366	12,290	40,884		40,884
<b>Total Revenues</b>	<b>366,793</b>	<b>24,366</b>	<b>12,290</b>	<b>403,449</b>	<b>65,557</b>	<b>469,006</b>
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	110,769		101,233	212,002		212,002
Contracted services	48,326			48,326		48,326
Repairs and maintenance	253,662			253,662		253,662
Administrative	25,765			25,765		25,765
Other	6,041		4,636	10,677		10,677
Capital outlay	303,466		4,766,197	5,069,663	(5,069,663)	
Debt service						
Interest and fees		295,344		295,344		295,344
Developer interest			503,337	503,337		503,337
Debt issuance costs			584,505	584,505		584,505
Depreciation					326,462	326,462
<b>Total Expenditures/Expenses</b>	<b>748,029</b>	<b>295,344</b>	<b>5,959,908</b>	<b>7,003,281</b>	<b>(4,743,201)</b>	<b>2,260,080</b>
<b>Revenues Under Expenditures/Expenses</b>						
	(381,236)	(270,978)	(5,947,618)	(6,599,832)	4,808,758	(1,791,074)
<b>Other Financing Sources/(Uses)</b>						
Proceeds from sale of bonds		629,400	6,470,600	7,100,000	(7,100,000)	
Developer advances	617,100			617,100	(617,100)	
Repayment of operating advances			(227,000)	(227,000)	227,000	
Internal transfers	7,100		(7,100)			
<b>Other Items</b>						
Transfers to other governments					(1,308,213)	(1,308,213)
<b>Net Change in Fund Balances</b>						
<b>Change in Net Position</b>	<b>242,964</b>	<b>358,422</b>	<b>288,882</b>	<b>890,268</b>	<b>(890,268)</b>	
Fund Balance/Net Position					(3,099,287)	(3,099,287)
Beginning of the year	(181,332)			(181,332)	(1,523,877)	(1,705,209)
<b>End of the year</b>	<b>\$ 61,632</b>	<b>\$ 358,422</b>	<b>\$ 288,882</b>	<b>\$ 708,936</b>	<b>\$ (5,513,432)</b>	<b>\$ (4,804,496)</b>

See notes to basic financial statements.

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**Montgomery County Water Control and Improvement District No. 205**

**Notes to Financial Statements**

**August 31, 2025**

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Montgomery County Water Control and Improvement District No. 205 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was created by an act by the Texas Legislature, 87th Session, Senate Bill 2182, effective May 24, 2021, pursuant to the authority of Section 59, Article XVI and Section 52, Article III of the Texas Constitution and operates in accordance with the Texas Special District Local Laws Code, Chapter 9082, and the Texas Water Code, Chapters 49 and 51. The Board of Directors held its first meeting on February 17, 2022, and the first bonds were issued on September 24, 2024.

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

**Reporting Entity**

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

**Government-Wide and Fund Financial Statements**

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major”

**Montgomery County Water Control and Improvement District No. 205**

**Notes to Financial Statements**

**August 31, 2025**

funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Use of Restricted Resources**

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

**Montgomery County Water Control and Improvement District No. 205**

**Notes to Financial Statements**

**August 31, 2025**

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At August 31, 2025, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

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

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is \$50,000. The threshold for subscription-based information technology arrangements (SBITAs) is \$100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of drainage and storm sewer facilities, are depreciated using the straight-line method over an estimated useful life of 45 years. The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

**Deferred Inflows and Outflows of Financial Resources**

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

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

**Montgomery County Water Control and Improvement District No. 205**

**Notes to Financial Statements**

**August 31, 2025**

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

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

**Montgomery County Water Control and Improvement District No. 205**  
**Notes to Financial Statements**  
**August 31, 2025**

**Use of Estimates**

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

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balance, governmental funds	\$ 708,936
--	------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 21,295,745
Less accumulated depreciation	<u>(481,229)</u>
	20,814,516

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Due to developer	(19,293,505)
Bonds payable	<u>(7,100,000)</u>
	(26,393,505)

Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.

65,557
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Total net position - governmental activities	<u><u>\$ (4,804,496)</u></u>
--	------------------------------

**Montgomery County Water Control and Improvement District No. 205**  
**Notes to Financial Statements**  
**August 31, 2025**

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

Net change in fund balances - total governmental funds	\$ 890,268
--	------------

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 65,557

Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:

Capital outlays	\$ 5,069,663
Transfers to other governments	(1,308,213)
Depreciation expense	<u>(326,462)</u>
	3,434,988

Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:

Issuance of long-term debt	(7,100,000)
Developer advances	(617,100)
Repayment of developer advances	<u>227,000</u>
	(7,490,100)

Change in net position of governmental activities	<u><u>\$ (3,099,287)</u></u>
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**Montgomery County Water Control and Improvement District No. 205**  
**Notes to Financial Statements**  
**August 31, 2025**

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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

**Investments**

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

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

As of August 31, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
Texas CLASS	General	\$ 61,744		
	Debt Service	358,422		
	Capital Projects	288,873		
		<u><u>\$ 709,039</u></u>	AAAm	44 days

**Montgomery County Water Control and Improvement District No. 205**  
**Notes to Financial Statements**  
**August 31, 2025**

**Texas CLASS**

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

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

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

**Investment Credit and Interest Rate Risk**

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

**Note 4 – Interfund Balances and Transactions**

A summary of internal transfers for the current fiscal year is as follows:

Transfers Out	Transfers In	Amounts	Purpose
Capital Projects Fund	General Fund	\$ 7,100	Reimbursement of bond application fees paid by General Fund

**Montgomery County Water Control and Improvement District No. 205**  
**Notes to Financial Statements**  
**August 31, 2025**

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended August 31, 2025, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 4,576,745	\$ 2,028,259	\$ 6,605,004
Construction in progress	201,750	(201,750)	
	<u>4,778,495</u>	<u>1,826,509</u>	<u>6,605,004</u>
Capital assets being depreciated			
Infrastructure	3,939,198	10,751,543	14,690,741
Less accumulated depreciation	(154,767)	(326,462)	(481,229)
Subtotal depreciable capital assets, net	<u>3,784,431</u>	<u>10,425,081</u>	<u>14,209,512</u>
Capital assets, net	<u>\$ 8,562,926</u>	<u>\$ 12,251,590</u>	<u>\$ 20,814,516</u>

Depreciation expense for the current fiscal year was \$326,462.

**Note 6 – Due to Developer**

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

The District's developer has also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	\$ 10,086,803
Developer reimbursements	(4,766,197)
Developer funded construction and adjustments	13,582,799
Operating advances from developer	617,100
Repayment of operating advances	(227,000)
Due to developer, end of year	<u>\$ 19,293,505</u>

**Montgomery County Water Control and Improvement District No. 205**  
**Notes to Financial Statements**  
**August 31, 2025**

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	<u><u>\$ 7,100,000</u></u>
Due within one year	<u><u>\$ 155,000</u></u>

The District's bonds payable at August 31, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date,		Interest Payment Dates	Call Dates
				Beginning/ Ending	Serially,		
2024	\$ 7,100,000	\$ 7,100,000	4.00% - 6.50%	September 1, 2026/2049	March 1, September 1	September 1, 2030	September 1, 2030

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

At August 31, 2025, the District had \$83,743,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the drainage and storm sewer systems within the District and \$90,843,000 for the refunding of such bonds; \$75,450,000 for parks and recreational facilities and \$75,450,000 for the refunding of such bonds and \$72,450,000 for road improvements and \$72,450,000 for the refunding of such bonds.

On September 24, 2024, the District issued its \$7,100,000 Series 2024 Unlimited Tax Bonds at a net effective interest rate of 4.327494%. Proceeds of the bonds were used (1) to reimburse its developer for the following: the construction of capital assets within the District; engineering, clearing and grubbing, and other costs associated with the construction of capital assets; the acquisition of land for certain District facilities; operating advances; and creation costs, (2) to pay developer interest at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ -
Bonds issued	<u><u>7,100,000</u></u>
Bonds payable, end of year	<u><u>\$ 7,100,000</u></u>

**Montgomery County Water Control and Improvement District No. 205**

**Notes to Financial Statements**

**August 31, 2025**

The debt service payment due September 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of August 31, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	\$ 155,000	\$ 314,700	\$ 469,700
2027	165,000	304,625	469,625
2028	170,000	293,900	463,900
2029	180,000	282,850	462,850
2030	190,000	271,150	461,150
2031	200,000	258,800	458,800
2032	210,000	245,800	455,800
2033	220,000	233,200	453,200
2034	235,000	224,400	459,400
2035	245,000	215,000	460,000
2036	260,000	205,200	465,200
2037	270,000	194,800	464,800
2038	285,000	184,000	469,000
2039	300,000	172,600	472,600
2040	315,000	160,600	475,600
2041	330,000	148,000	478,000
2042	350,000	134,800	484,800
2043	370,000	120,800	490,800
2044	385,000	106,000	491,000
2045	410,000	90,600	500,600
2046	430,000	74,200	504,200
2047	450,000	57,000	507,000
2048	475,000	39,000	514,000
2049	500,000	20,000	520,000
	<u>\$ 7,100,000</u>	<u>\$ 4,352,025</u>	<u>\$ 11,452,025</u>

**Note 8 – Property Taxes**

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

All property values and exempt status, if any, are determined by the Montgomery Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

**Montgomery County Water Control and Improvement District No. 205**

**Notes to Financial Statements**

**August 31, 2025**

Property taxes are collected based on rates adopted in the year of the levy. The District's 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of \$0.35 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$414,974 on the adjusted taxable value of \$118,564,007.

Property taxes receivable, at August 31, 2025, consisted of the following:

Current year taxes receivable	\$ 55,090
Penalty and interest receivable	10,467
Property taxes receivable	<u>\$ 65,557</u>

**Note 9 – Transfers to Other Governments**

Montgomery County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Montgomery County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended August 31, 2025, the District reported transfers to other governments in the amount of \$1,308,213 for road facilities constructed by a developer within the District.

**Note 10 – Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 11 – Economic Dependency**

The District is dependent upon its developer for operating advances. The developer continues to own a substantial portion of the taxable property within the District. The developer's willingness to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

**Note 12 – Subsequent Event**

On October 21, 2025, the District issued its \$1,850,000 Series 2025 Unlimited Tax Road Bonds at a net effective rate of 4.732389%. Proceeds from the bonds were used to reimburse the District's developer for infrastructure improvements in the District and to pay capitalized interest into the Debt Service Fund.

## **Required Supplementary Information**

**Montgomery County Water Control and Improvement District No. 205**  
**Required Supplementary Information - Budgetary Comparison Schedule - General Fund**  
**For the Year Ended August 31, 2025**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 275,585	\$ 359,884	\$ 84,299
Penalties and interest		2,331	2,331
Miscellaneous		350	350
Investment earnings	1,000	4,228	3,228
<b>Total Revenues</b>	<b>276,585</b>	<b>366,793</b>	<b>90,208</b>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	85,000	110,769	(25,769)
Contracted services	30,150	48,326	(18,176)
Repairs and maintenance	423,606	253,662	169,944
Administrative	26,566	25,765	801
Other	4,400	6,041	(1,641)
Capital outlay		303,466	(303,466)
<b>Total Expenditures</b>	<b>569,722</b>	<b>748,029</b>	<b>(178,307)</b>
<b>Revenues Under Expenditures</b>			(88,099)
<b>Other Financing Sources</b>			
Developer advances	293,137	617,100	323,963
Internal transfers		7,100	7,100
<b>Net Change in Fund Balance</b>		<b>242,964</b>	<b>242,964</b>
<b>Fund Balance</b>			
Beginning of the year		(181,332)	(181,332)
<b>End of the year</b>	<b>\$ (181,332)</b>	<b>\$ 61,632</b>	<b>\$ 242,964</b>

***Montgomery County Water Control and Improvement District No. 205***

***Notes to Required Supplementary Information***

***August 31, 2025***

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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## **Texas Supplementary Information**

**Montgomery County Water Control and Improvement District No. 205**

**TSI-1. Services and Rates**

**August 31, 2025**

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	_____	_____	_____	_____	to _____
Wastewater:	_____	_____	_____	_____	to _____
Surcharge:	_____	_____	_____	_____	to _____

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 1.0	_____
1.5"	_____	_____	x 2.5	_____
2"	_____	_____	x 5.0	_____
3"	_____	_____	x 8.0	_____
4"	_____	_____	x 15.0	_____
6"	_____	_____	x 25.0	_____
8"	_____	_____	x 50.0	_____
10"	_____	_____	x 80.0	_____
Total Water	_____	_____	x 115.0	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

**Montgomery County Water Control and Improvement District No. 205**

**TSI-1. Services and Rates**

**August 31, 2025**

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

Gallons pumped into system:	<u>N/A</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>N/A</u>	(Gallons billed / Gallons pumped)
		<u>N/A</u>

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

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. Location of District

Is the District located entirely within one county? Yes  No

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

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

City(ies) in which the District is located: \_\_\_\_\_

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

Entirely  Partly  Not at all

ETJs in which the District is located: \_\_\_\_\_ City of Conroe \_\_\_\_\_

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

If Yes, by whom? \_\_\_\_\_

See accompanying auditor's report.

***Montgomery County Water Control and Improvement District No. 205***  
***TSI-2. General Fund Expenditures***  
***For the Year Ended August 31, 2025***

Professional fees	
Legal	\$ 78,874
Audit	15,000
Engineering	<u>16,895</u>
	<u>110,769</u>
Contracted services	
Bookkeeping	38,601
Tax Assessor/ Collector	6,000
Central Appraisal District	<u>3,725</u>
	<u>48,326</u>
Repairs and maintenance	<u>253,662</u>
Administrative	
Directors fees	10,166
Printing and office supplies	4,717
Insurance	3,069
Other	<u>7,813</u>
	<u>25,765</u>
Other	<u>6,041</u>
Capital outlay	<u>303,466</u>
Total expenditures	<u>\$ 748,029</u>

See accompanying auditor's report.

***Montgomery County Water Control and Improvement District No. 205***

***TSI-3. Investments***

***August 31, 2025***

<b>Fund</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Balance at End of Year</b>
General			
Texas CLASS	Variable	N/A	\$ 61,744
Debt Service			
Texas CLASS	Variable	N/A	358,422
Capital Projects			
Texas CLASS	Variable	N/A	288,873
Total - All Funds			\$ 709,039

See accompanying auditor's report.

**Montgomery County Water Control and Improvement District No. 205**

**TSI-4. Taxes Levied and Receivable**

**August 31, 2025**

	Maintenance Taxes
	<u><u>\$</u></u>
Taxes Receivable, Beginning of Year	<u><u>-</u></u>
2024 Original Tax Levy	281,209
Adjustments	<u><u>133,765</u></u>
Adjusted Tax Levy	<u><u>414,974</u></u>
Tax collections:	
Current year	<u><u>359,884</u></u>
Taxes Receivable, End of Year	<u><u>\$ 55,090</u></u>
Taxes Receivable, By Years	
2024	<u><u>\$ 55,090</u></u>
Property Valuations:	
Land	\$ 59,321,742
Improvements	71,955,797
Personal Property	150,037
Exemptions	<u><u>(12,863,569)</u></u>
Total Property Valuations	<u><u>\$ 118,564,007</u></u>
	2024
	2023
	2022
	<u><u>\$</u></u>
Tax Rates per \$100 Valuation:	
Maintenance tax rates	<u><u>\$ 0.35</u></u>
Adjusted Tax Levy:	<u><u>\$ 414,974</u></u>
Percentage of Taxes Collected to Taxes Levied **	<u><u>86.72%</u></u>
	100.00%
	<u><u>100.00%</u></u>

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 7, 2022

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

See accompanying auditor's report.

**Montgomery County Water Control and Improvement District No. 205**

**TSI-5. Long-Term Debt Service Requirements**

**Series 2024--by Years**

**August 31, 2025**

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 155,000	\$ 314,700	\$ 469,700
2027	165,000	304,625	469,625
2028	170,000	293,900	463,900
2029	180,000	282,850	462,850
2030	190,000	271,150	461,150
2031	200,000	258,800	458,800
2032	210,000	245,800	455,800
2033	220,000	233,200	453,200
2034	235,000	224,400	459,400
2035	245,000	215,000	460,000
2036	260,000	205,200	465,200
2037	270,000	194,800	464,800
2038	285,000	184,000	469,000
2039	300,000	172,600	472,600
2040	315,000	160,600	475,600
2041	330,000	148,000	478,000
2042	350,000	134,800	484,800
2043	370,000	120,800	490,800
2044	385,000	106,000	491,000
2045	410,000	90,600	500,600
2046	430,000	74,200	504,200
2047	450,000	57,000	507,000
2048	475,000	39,000	514,000
2049	500,000	20,000	520,000
	<b>\$ 7,100,000</b>	<b>\$ 4,352,025</b>	<b>\$ 11,452,025</b>

See accompanying auditor's report.

**Montgomery County Water Control and Improvement District No. 205**

**TSI-6. Change in Long-Term Bonded Debt**

**August 31, 2025**

	Bond Issue
	Series 2024
Interest rate	4.00% - 6.50%
Dates interest payable	9/1; 3/1
Maturity dates	9/1/26 - 9/1/49
Beginning bonds outstanding	\$ -
Bonds issued	<u>7,100,000</u>
Ending bonds outstanding	<u>\$ 7,100,000</u>
Interest paid during fiscal year	<u>\$ 294,594</u>
Paying agent's name and city	
Series 2024	<u>The Bank of New York Mellon Trust Company, NA, Dallas, Texas</u>

Bond Authority:	Drainage Facilities		Parks and	
	Bonds	Recreational Bonds	Bonds	Road Bonds
Amount Authorized by Voters	\$ 90,843,000	\$ 75,450,000	\$ 72,450,000	
Amount Issued	(7,100,000)			
Remaining To Be Issued	<u>\$ 83,743,000</u>	<u>\$ 75,450,000</u>	<u>\$ 72,450,000</u>	

Bond Authority:	Drainage Facilities		Parks and	
	Refunding Bonds	Recreational	Refunding Bonds	Road Refunding
Amount Authorized by Voters	\$ 90,843,000	\$ 75,450,000	\$ 72,450,000	
Amount Issued				
Remaining To Be Issued	<u>\$ 90,843,000</u>	<u>\$ 75,450,000</u>	<u>\$ 72,450,000</u>	

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

Debt Service Fund cash and investments balance as of August 31, 2025: \$ 358,422

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 477,168

See accompanying auditor's report.

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**Montgomery County Water Control and Improvement District No. 205**  
**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund**  
**For the Last Four Fiscal Years**

	Amounts			
	2025	2024	2023	2022**
<b>Revenues</b>				
Property taxes	\$ 359,884	\$ 102,647	\$ 22,997	\$ -
Penalties and interest	2,331	2,671	2,070	
Miscellaneous	350	110		
Investment earnings	4,228	677		
<b>Total Revenues</b>	<b>366,793</b>	<b>106,105</b>	<b>25,067</b>	
 <b>Expenditures</b>				
Operating and administrative				
Professional fees	110,769	87,987	60,043	74,067
Contracted services	48,326	30,160	22,856	7,923
Repairs and maintenance	253,662	54,128		
Administrative	25,765	25,388	14,490	11,494
Other	6,041	23,342	5,342	1,534
Capital outlay	303,466	201,750		782,250
<b>Total Expenditures</b>	<b>748,029</b>	<b>422,755</b>	<b>102,731</b>	<b>877,268</b>
 <b>Revenues Under Expenditures</b>	<b>(381,236)</b>	<b>(316,650)</b>	<b>(77,664)</b>	<b>(877,268)</b>
 <b>Other Financing Sources</b>				
Developer advances	617,100	130,000	90,000	88,000
Internal transfers	7,100			
 <b>Other Items</b>				
Capital contributions				782,250
 <b>Net Change in Fund Balance</b>	<b>242,964</b>	<b>(186,650)</b>	<b>12,336</b>	<b>(7,018)</b>
 Fund Balance, Beginning of the year	<b>(181,332)</b>	<b>5,318</b>	<b>(7,018)</b>	
<b>End of the year</b>	<b>\$ 61,632</b>	<b>\$ (181,332)</b>	<b>\$ 5,318</b>	<b>\$ (7,018)</b>

\*Percentage is negligible

\*\* Seven-month period

See accompanying auditor's report.

Percent of Fund Total Revenues			
2025	2024	2023	2022**
98%	96%	92%	
1%	3%	8%	
*	*		
1%	1%		
100%	100%	100%	
30%	83%	240%	-
13%	28%	91%	-
69%	51%		
7%	24%	58%	-
2%	22%	21%	-
83%	190%		-
287%	398%	410%	-
(187%)	(298%)	(310%)	-

**Montgomery County Water Control and Improvement District No. 205**

**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund**

**For the Current Fiscal Year**

	Amounts 2025	Percent of Fund Total Revenues 2025
Revenues		
Investment earnings	\$ 24,366	100%
Expenditures		
Debt service		
Interest and fees	295,344	1212%
<b>Revenues Under Expenditures</b>	<b>(270,978)</b>	<b>(1,112%)</b>
<b>Other Financing Sources</b>		
Proceeds from sale of bonds	629,400	
<b>Net Change in Fund Balance</b>	<b>358,422</b>	
Fund Balance, Beginning of the year		
<b>End of the year</b>	<b>\$ 358,422</b>	

See accompanying auditor's report.

**Montgomery County Water Control and Improvement District No. 205**

**TSI-8. Board Members, Key Personnel and Consultants**

**For the Year Ended August 31, 2025**

Complete District Mailing Address: 1300 Post Oak Boulevard, Suite 2400, Houston TX 77056  
District Business Telephone Number: 713-623-4531  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): May 15, 2024  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid		Expense Reimburse- ments	Title at Year End
		*			
Board Members					
Erica Sinner	5/24 - 5/28	\$ 2,210	\$ -		President
Alene Frey	5/24 - 5/28	1,547			Vice President
Chad P. Collins	5/22 - 5/26	2,431			Secretary
Dana Neuneker	5/24 - 5/28	2,210			Assistant Secretary
Elaine Balagia	12/23 - 5/26	1,768			Assistant Secretary
Consultants		Amounts Paid			
Schwartz, Page & Harding, L.L.P.	2022				Attorney
<i>General legal fees</i>		\$ 86,117			
<i>Bond counsel</i>		238,628			
Municipal Accounts & Consulting, L.P.	2022	43,504			Bookkeeper
Bob Leared Interests, Inc.	2022	6,000			Tax Collector
Montgomery Central Appraisal District	Legislation	3,725			Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2023				Delinquent Tax Attorney
Quiddity Engineering LLC	2022	57,990			Engineer
Pape Dawson, Inc.	2024				Engineer
Clark Condon Associates, Inc.	2022				Landscape Architect
McGrath & Co., PLLC	2022	16,500			Auditor
Masterson Advisors LLC	2022	143,679			Financial Advisor

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

See accompanying auditor's report.