

TAX RATE AND BUDGET INFORMATION for fiscal year ending 12-31-2023 ("current year")
 posted by Montgomery County Utility District No. 3 ("District" or "taxing unit"), Montgomery
 County, Texas, in accordance with Sec. 26.18 of the Texas Tax Code (as amended by S.B. 2, 2019
 Reg. Session)

Updated with information applicable as of August 29, 2023

Information required by Sec. 26.18, Texas Tax Code, by subdivision number and description		Information posted (for the information item shown in left column)
(1)	the name of each member of the governing body of the taxing unit	The information is shown in the attached EXHIBIT A
(2)	the mailing address, e-mail address, and telephone number of the taxing unit	The information is shown in the attached EXHIBIT A
(3)	the official contact information for each member of the governing body of the taxing unit, if that information is different from the information described by Subdivision (2)	The information is shown in the attached EXHIBIT A
(4)	the taxing unit's budget for the preceding two years	The information is shown in the attached EXHIBIT B
(5)	the taxing unit's proposed or adopted budget for the current year	The information is shown in the attached EXHIBIT C
(6)	the change in the amount of the taxing unit's budget from the preceding year to the current year, by dollar amount and percentage	Revenues: General Fund, ex. Tax Account: increase of \$141,062 or 3.6% WWTP: increase of \$359,000 or 26.1% Expenditures: General Fund, ex. Tax Account: decrease of (\$127,302) or (2.8%) WWTP: increase of \$359,000 or 26.1%
(7)	in the case of a taxing unit other than a school district, the amount of property tax revenue budgeted for maintenance and operations for: (A) the preceding two years; and (B) the current year	\$236,000 for 2021; see EXHIBIT B; \$257,620 for 2022; see EXHIBIT B; \$300,000 for 2023 (current year); see EXHIBIT C
(8)	in the case of a taxing unit other than a school district, the amount of property tax revenue budgeted for debt service for: (A) the preceding two years; and (B) the current year	\$-0- for 2021; see EXHIBIT B; \$-0- for 2022; see EXHIBIT B; \$-0- for 2023 (current); see EXHIBIT C
(9)	the tax rate for maintenance and operations adopted by the taxing unit for the preceding two years	\$0.09 for TY 2021 \$0.086 for TY 2022
(10)	in the case of a taxing unit other than a school district, the tax rate for debt service adopted by the taxing unit for the preceding two years	\$0.00 for TY 2021 \$0.00 for TY 2022
(12)	the tax rate for maintenance and operations proposed by the taxing unit for the current year	\$0.082 for TY 2023
(13)	in the case of a taxing unit other than a school district, the tax rate for debt service proposed by the taxing unit for the current year;	\$0.00 for TY 2023
(14)	in the case of a school district, the interest and sinking fund tax rate proposed by the district for the current year; and	[This item does not apply to this taxing unit.]
(15)	the most recent financial audit of the taxing unit.	A copy of the financial audit is attached as EXHIBIT D

THE EXHIBITS LISTED BELOW ARE ATTACHED AND ARE INTEGRAL PARTS OF THE INFORMATION POSTED:

EXHIBIT A
EXHIBIT B
EXHIBIT C
EXHIBIT D



District Registration Form

Legal Name of District or Authority: Montgomery County Utility District No. 3

1301 McKinney St., Ste. 5100 Houston, Texas 77010

District's Mailing Address City, State Zip Code

713-651-5691 megan.koell@nortonrosefulbright.com

District's Telephone Number (AC) E-mail Web Address

A. BOARD MEMBERS (as applicable):

TITLE	FULL NAME OF DIRECTOR (First, Middle, Last)	FULL MAILING ADDRESS According to U.S. Post Office Standards	Business Phone	Fax Number	Home Phone	Elected (E), Appointed (A), or Elected by Precinct (P)	Term Begins (MM/DD/YYYY)	Term Ends (MM/DD/YYYY)
President or Chairman	Doris Hickman	MOJO No. 3 PO Box 1268 Montgomery, TX 77556	713-651-5691	713-651-5246		E	05/2022	05/2026
Vice-President	Richard Tibbetts	MOJO No. 3 PO Box 1268 Montgomery, TX 77556	713-651-5691	713-651-5246		E	05/2022	05/2026
Secretary	Janis Boulware	MOJO No. 3 PO Box 1268 Montgomery, TX 77556	713-651-5691	713-651-5246		E	05/2020	05/2024
Treasurer	Carolyn H. Smith	MOJO No. 3 PO Box 1268 Montgomery, TX 77556	713-651-5691	713-651-5246		E	05/2020	05/2024
Director	Judy Robert	MOJO No. 3 PO Box 1268 Montgomery, TX 77556	713-651-5691	713-651-5246		E	05/2022	05/2026

B. CONSULTANTS AND REPRESENTATIVES (as applicable):

POSITION	FULL NAME OF INDIVIDUAL	NAME OF FIRM OR ORGANIZATION	FULL MAILING ADDRESS According to U.S. Post Office Standards	Business Phone	Fax Number
General Manager					
Operator	Philip Wright	Hays Utility Service	PO Box 1268 Montgomery, TX 77356	936-588-1166	936-588-1748
Attorney	Dimitri Millas	Norton Rose Fulbright US LLP	1301 McKinney St., Ste. 5100 Houston, TX 77010	713-651-5259	713-651-5246
Engineer	Chris Roznovsky	Ward, Gelz & Associates, PLLC (WGA)	4526 Research Forest, Suite 175 The Woodlands, TX 77381	713-789-1900	
Bookkeeper	Steve Haskins	Protocol Bookkeeping, Inc.	1506 Whispering Pines, Houston, TX 77055	713-688-0860	713-681-9645
Financial Advisor	John F. Howell, Jr.	The GMS Group, LLC	5075 Westheimer, Ste. 1175 Houston, TX 77056	713-626-3552	713-626-3347
Tax Collector	Tammy McRae	Montgomery County	400 N San Jacinto, Conroe, TX 77301	936-539-7809	936-538-8129
Agent for Notice	Dimitri Millas	Norton Rose Fulbright US LLP	1301 McKinney St., Ste. 5100 Houston, TX 77010	713-651-5259	713-651-5246

*All information provided herein is subject to the Public Information Act and will be made available on our web site (www.tceq.texas.gov)

District Registration Form (continued)

A. BOARD MEMBERS (continued):

TITLE	FULL NAME OF DIRECTOR (First, Mid dle, Last)	FULL MAILING ADDRESS <small>According to U.S. Post Office Standards</small>	Business Phone	Fax Number	Home Phone	Elected(E), Appointed (A), or Elected by Precinct (P)	Term Begins (MM/DD/YYYY)	Term Ends (MM/DD/YYYY)

Certification: I certify that the information contained herein is correct and complete to the best of my knowledge.

Meghan Koett Digitally signed by Meghan Koett
Date: 2022.05.18 09:52:15 -0500 **Meghan Koett, Paralegal 713-651-5691** **05/18/2022**

Signature **Printed Name and Title** **(Area Code) Daytime Telephone** **Date Signed**

If you have questions on how to fill out this form, please contact us at (512) 239 - 4691. Individuals are entitled to request and review their personal information the Agency gathers on its forms. They may also have errors in their information corrected. To review such information, contact us at (512) 239 - 3282.

Texas Statutes can be viewed at: <https://statutes.capitol.texas.gov/>

Submit completed form using the Submit button (If using electronic signature), via fax to 512-239-6190, or mail to:

DISTRICTS SECTION, MC-152
TCEQ
PO BOX 13087
Austin, Texas 78711-3087

Submit

EXHIBIT B (part of TAX RATE AND BUDGET INFORMATION)

General Fund Budget

Montgomery County #3 2021 PROPOSAL**Jan '21 - Dec '21****Beginning cash balance****Income**

4100 · USER FEES (WATER)	410,000
4101 · LONESTAR GROUND WATER	8,000
4120 · TRANSFER/RECONNECT/DISCONNECT	12,000
4200 · USER FEES (SEWER)	550,000
4330 · PENALTY USER FEES	6,500
4400 · REVENUE LAKE CONROE VILLAGE	125,000
4502 · DEBT SERVICE PYMT REIMBURSEMENT	473,850
4600 · TAP FEES (WATER)	15,000
4620 · SEWER TAPS & INSPECTIONS	10,000
5380 · MISC REVENUES/STANDBY	20,000
5391 · INTEREST EARNED	20,000
5398 · MAINTENANCE TAX COLLECTION	236,000
5400 · CITY OF CONROE REIMBURSEMENT	183,900
5410 · TRANSMISSION COST REVENUE	340,000
5500 · TRANSFER FROM CAPITAL PROJECTS	1,550,000

TOTAL REVENUE**3,960,250****Expenses**

6135 - MAINTENANCE & REPAIRS (W)	
6135A - DISTRIBUTION SYSTEM	237,300
6135B - TRANSMISSION SYSTEM	363,950
6136 - WATER PLANT MAINTENANCE	40,000
6152 - WP SHARED EXPENSE	50,000
6171 - TAP COST (W)	10,000
6180 - TRANSFERS DISC/RECONNECT	17,000
6202 - WWTP EXPENSE	295,500
6230 - MAINTENANCE & REPAIR STORM	50,000
6235 - MAINTENANCE & REPAIR (Sewer)	
6235A - COLLECTION SYSTEM	395,000
6235B - TRANSMISSION SYSTEM	860,000
6235C - COLLECTION SYSTEM LIFT STATION (RETAIL)	120,000
6235D - TRANSMISSION SYSTEM LIFT STATION (WHOLESALE)	240,000
6235E - JOINT Y-TRUNK	215,000
6236 - GREASE TRAP / INSPECTION	11,000
6272 - TAP COST (S)	3,000
6310 - DIRECTOR FEES	16,000
6320 - LEGAL FEES	60,000
6321 - AUDIT FEES	11,000
6322 - ENGINEERING FEES	
6322A - SANITARY SEWER SYSTEM	161,500
6322B - WATER SYSTEM	87,000
6322C - WATER PLANTS	11,500
6322D - DRAINAGE/STORM SEWER SYSTEM	5,000
6322E - LIFT STATIONS	42,000

6324 - LABORATORY FEES water	4,000
6325 - ELECTION FEES	0
6326 - PERMIT / ASSESSMENT FEES tceq	6,500
6327 - LONE STAR GW DISTRICT	18,000
6332 - OPERATORS CONTRACT	
6332A - WATER PLANT	52,900
6332B - TRANSMISSION LIFT STATION (WHOLESALE)	5,500
6332C - COLLETION SYSTEM LIFT STATIONS (RETAIL)	18,100
6332D - CUSTOMER ACCOUNTING	8,500
6333 - BOOKKEEPING CONTRACT	18,000
6338 - LEGAL NOTICES - OTHER	0
6338A - LEGAL NOTICES REQUIRED BY LAW	1,000
6339 - LOBBYING GOV'T CODE SEC 140.0045	0
6340 - ADMINISTRATIVE EXPENSE	31,500

6350 - POSTAGE	500
6351 - TELEPHONE	
6351A - COLLECTION SYSTEM	3,500
6351B - TRANSMISSION SYSTEM (WHOLESALE)	500
6352 - UTILITIES (L/S)	
6352A - COLLECTION SYSTEM LIFT STATION	7,000
6352B - TRANSMISSION SYSTEM (WHOLESALE)	7,000
6353 - INSURANCE	32,500
6354 - TRAVEL & PER DIEM	2,500
6355 - AWBD DUES & REGISTRATIONS	2,000
6359 - OTHER EXPENSES	1,000
6361 - DELIVERY EXPENSE	2,000
6362 - PAYROLL EXPENSE	2,500
6363 - BANK FEES	2,000
6365 - WEBSITE	7,000
7300 - TWDB BOND PAYMENT INTEREST	237,000
7301 - TWDB BOND PAYMENT PRINCIPLE	200,000
7310 - TRANSFER TO DS	250,000
7400 - GARBAGE EXPENSE	230,000

TOTAL EXPENSES	4,492,750
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let Income	Before reserves	(532,500)
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Use of Prior Years Reserves	532,500
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Net Income	0
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Montgomery County #3 2021 PROPOSAL
TAX ACCOUNT

Jan '21 - Dec '21

Revenues

Property Taxes (current)	235,000
Property Taxes (delinquent)	4,500
Penalties, Fees, etc.	1,000

TOTAL REVENUE	240,500
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Expenses

MCAD assessment	2,000
Delinquent tax attorney fees	0
Tax A-C fees	500
Other costs of collections	1,400
Transfer to General Fund (Property tax for M&O)	236,600
Transfer to DS (Property tax for Debt Service)	0

TOTAL EXPENSES	240,500
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Net Income	0
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WWTP Budget

WWTP MC3&4 Approved Budget		<u>Jan '21 - Dec 21</u>	
Income			
4203 · MCUD #3 Contract Payments	255,318		
4204 · MCUD #4 Contract Payments	276,594		
4205 - City of Conroe Monthly Charges	0		
5380 - Interest Revenue	50		
5400 - CAPACITY RES FEE	106,488		
Total Income	<u>638,450</u>		
Expense			
6221 · AUDIT FEES STP	4,250		
6222 · ENGINEERING	26,000		
6224 · LABORATORY EXPENSE	70,000		
6226 · PERMIT FEES	25,000		
6230 · SLUDGE MANAGEMENT	120,000	**	120,000.00
6232 · OPERATOR CONTRACT	60,000		
6233 · BOOKKEEPING	11,000		
6234 · MOWING FACILITIES	10,000		
6235 · MAINTENANCE AND REPAIRS	135,000		
6240 · OFFICE EXPENSE	1,500		
6242 · CHEMICALS	50,000	**	50,000.00
6252 · UTILITIES	85,000	** 1/2 =	42,500.00
6253 · INSURANCE (Apportioned)	33,000		
6331 · MANAGEMENT FEE (Directors)	7,200		
6350 · CAPITAL OUTLAY	0		
6358 · MISC. EXPENSE	500		
Total Expense	<u>638,450</u>		<u>212,500</u>
Net Income	<u>0</u>		
Less flow related items (**)	212,500		
NON FLOW RELATED ITEMS **	425,950		
BILL TO CITY OF CONROE	<u>106,488</u>		

General Fund Budget

Approved 1/17/22
Montgomery County #3 Revised Budget 2022

Jan '22 - Dec '22

Beginning cash balance	
Income	
4100 - USER FEES (WATER)	430,000
4101 - LONESTAR GROUND WATER	5,000
4120 - TRANSFER/RECONNECT/DISCONNECT	10,000
4200 - USER FEES (SEWER)	550,000
4330 - PENALTY USER FEES	7,000
4400 - REVENUE LAKE CONROE VILLAGE	125,000
4502 - DEBT SERVICE PYMT REIMBURSEMENT	474,863
4600 - TAP FEES (WATER)	15,000
4620 - SEWER TAPS & INSPECTIONS	10,000
5380 - MISC REVENUES/STANDBY	10,000
5391 - INTEREST EARNED	1,500
5398 - MAINTENANCE TAX COLLECTION	257,620
5400 - CITY OF CONROE REIMBURSEMENT	222,000
5410 - TRANSMISSION COST REVENUE	340,000
5450 - CAPACITY COMMITMENT REVENUE	20,000
5500 - TRANSFER FROM CAPITAL PROJECTS	1,460,000

TOTAL REVENUE 3,937,983

Expenses

6135 - MAINTENANCE & REPAIRS (W)	
6135A - DISTRIBUTION SYSTEM	275,000
6135B - TRANSMISSION SYSTEM	375,000
6136 - WATER PLANT MAINTENANCE	40,000
6152 - WP SHARED EXPENSE	55,000
6171 - TAP COST (W)	6,000
6180 - TRANSFERS DISC/RECONNECT	17,000
6202 - WWTP EXPENSE	530,285
6230 - MAINTENANCE & REPAIR STORM	25,000
6235 - MAINTENANCE & REPAIR (Sewer)	
6235A - COLLECTION SYSTEM	395,000
6235B - TRANSMISSION SYSTEM	880,000
6235C - COLLECTION SYSTEM LIFT STATION (RETAIL)	0
6235D - TRANSMISSION SYSTEM LIFT STATION (WHOLESALE)	240,000
6235E - JOINT Y-TRUNK	75,000
6236 - GREASE TRAP / INSPECTION	10,000
6272 - TAP COST (S)	5,000
6310 - DIRECTOR FEES	27,000
6320 - LEGAL FEES	80,000
6321 - AUDIT FEES	12,500
6322 - ENGINEERING FEES	
6322A - SANITARY SEWER SYSTEM	161,500
6322B - WATER SYSTEM	87,000
6322C - WATER PLANTS	10,000
6322D - DRAINAGE/STORM SEWER SYSTEM	5,000
6322E - LIFT STATIONS	5,000
6324 - LABORATORY FEES water	3,000
6325 - ELECTION FEES	10,000
6326 - PERMIT / ASSESSMENT FEES teeq	6,500
6327 - LONE STAR GW DISTRICT	20,000
6329 - CAPACITY COMMITMENT EXPENSE	20,000
6332 - OPERATORS CONTRACT	
6332A - WATER PLANT	52,900
6332B - TRANSMISSION LIFT STATION (WHOLESALE)	5,500
6332C - COLLECTION SYSTEM LIFT STATIONS (RETAIL)	18,100
6332D - CUSTOMER ACCOUNTING	8,500
6333 - BOOKKEEPING CONTRACT	18,000
6338 - LEGAL NOTICES - OTHER	0
6338A - LEGAL NOTICES REQUIRED BY LAW	1,000

6339 - LOBBYING GOV'T CODE SEC 140.0045	0
6340 - ADMINISTRATIVE EXPENSE	35,000
6350 - POSTAGE	500
6351 - TELEPHONE	
6351A - COLLECTION SYSTEM	3,500
6351B - TRANSMISSION SYSTEM (WHOLESALE)	500
6352 - UTILITIES (L/S)	
6352A - COLLECTION SYSTEM LIFT STATION	7,000
6352B - TRANSMISSION SYSTEM (WHOLESALE)	7,000
6353 - INSURANCE	26,500
6354 - TRAVEL & PER DIEM	2,500
6355 - AWBD DUES & REGISTRATIONS	2,500
6359 - OTHER EXPENSES	1,000
6361 - DELIVERY EXPENSE	2,500
6362 - PAYROLL EXPENSE	2,500
6363 - BANK FEES	1,000
6365 - WEBSITE	1,500
7300 - TWDB BOND PAYMENT INTEREST	227,920
7301 - TWDB BOND PAYMENT PRINCIPLE	210,000
7310 - TRANSFER TO DS	250,000
7400 - GARBAGE EXPENSE	235,000
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TOTAL EXPENSES	4,496,205
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Net Income Before reserves	(558,222)
	<hr/>
Use of Prior Years Reserves	558,222
	<hr/>
Net Income	0
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Montgomery County #3 2022 BUDGET**Jan '22 - Dec '22****TAX ACCOUNT****Revenues**

Property Taxes (current)	258,000
Property Taxes (delinquent)	2,500
Penalties, Fees, etc.	850

TOTAL REVENUE	261,350
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Expenses

MCAD assessment	2,000
Delinquent tax attorney fees	230
Tax A-C fees	500
Other costs of collections	1,000
Transfer to General Fund (Property tax for M&O)	257,620
Transfer to DS (Property tax for Debt Service)	0

TOTAL EXPENSES	261,350
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Net Income

0

WWTP Budget

WWTP MC3&4 Approved Budget		Jan '22 - Dec 22	
Income			
4203 - MCUD #3 Contract Payments	530,285		
4204 - MCUD #4 Contract Payments	551,928		
4205 - City of Conroe Monthly Charges	0		
5380 - Interest Revenue	0		
5400 - CAPACITY RES FEE	293,238		
Total Income	1,375,450		
Expense			
6221 - AUDIT FEES STP	4,250		
6222 - ENGINEERING	25,000		
6224 - LABORATORY EXPENSE	45,000		
6226 - PERMIT FEES	25,000		
6230 - SLUDGE MANAGEMENT	115,000	**	115,000.00
6232 - OPERATOR CONTRACT	66,000		
6233 - BOOKKEEPING	11,000		
6234 - MOWING FACILITIES	10,000		
6235 - MAINTENANCE AND REPAIRS	115,000		
6240 - OFFICE EXPENSE	1,500		
6242 - CHEMICALS	50,000	**	50,000.00
6252 - UTILITIES	75,000	** 1/2 =	37,500.00
6253 - INSURANCE (Apportioned)	25,000		
6331 - MANAGEMENT FEE (Directors)	7,200		
6350 - CAPITAL OUTLAY	800,000		
6358 - MISC. EXPENSE	500		
Total Expense	1,375,450		202,500
Net Income	0		
Less flow related Items (**)	202,500		
NON FLOW RELATED ITEMS **	1,172,950		
BILL TO CITY OF CONROE	293,238		

EXHIBIT C (part of TAX RATE AND BUDGET INFORMATION)

General Fund Budget

Montgomery County #3 Proposed Budget 2023

Jan '23 - Dec '23

Beginning cash balance

Income

4100 · USER FEES (WATER)	440,000
4101 · LONESTAR GROUND WATER	5,000
4120 · TRANSFER/RECONNECT/DISCONNECT	10,000
4200 · USER FEES (SEWER)	555,000
4330 · PENALTY USER FEES	7,000
4400 · REVENUE LAKE CONROE VILLAGE	130,000
4502 · DEBT SERVICE PYMT REIMBURSEMENT	475,045
4600 · TAP FEES (WATER)	15,000
4620 · SEWER TAPS & INSPECTIONS	10,000
5380 · MISC REVENUES/STANDBY	10,000
5391 · INTEREST EARNED	80,000
5398 · MAINTENANCE TAX COLLECTION	300,000
5400 · CITY OF CONROE REIMBURSEMENT	222,000
5410 · TRANSMISSION COST REVENUE	340,000
5450 · CAPACITY COMMITMENT REVENUE	20,000
5500 · TRANSFER FROM CAPITAL PROJECTS	1,460,000

TOTAL REVENUE

4,079,045

Expenses

6135 - MAINTENANCE & REPAIRS (W)	
6135A - DISTRIBUTION SYSTEM	175,000
6135B - TRANSMISSION SYSTEM	700,000
6136 - WATER PLANT MAINTENANCE	35,000
6152 - WP SHARED EXPENSE	70,000
6171 - TAP COST (W)	6,000
6180 - TRANSFERS DISC/RECONNECT	17,000
6202 - WWTP EXPENSE	263,998
6230 - MAINTENANCE & REPAIR STORM	50,000
6235 - MAINTENANCE & REPAIR (Sewer)	
6235A - COLLECTION SYSTEM	395,000
6235B - TRANSMISSION SYSTEM	880,000
6235C - COLLECTION SYSTEM LIFT STATION (RETAIL)	100,000
6235D - TRANSMISSION SYSTEM LIFT STATION (WHOLESALE)	0
6235E - JOINT Y-TRUNK	75,000
6236 - GREASE TRAP / INSPECTION	10,000
6272 - TAP COST (S)	3,000
6310 - DIRECTOR FEES	30,000
6320 - LEGAL FEES	80,000
6321 - AUDIT FEES	12,500
6322 - ENGINEERING FEES	
6322A - SANITARY SEWER SYSTEM	103,250
6322B - WATER SYSTEM	98,250
6322C - WATER PLANTS	33,500
6322D - DRAINAGE/STORM SEWER SYSTEM	5,000
6322E - LIFT STATIONS	5,000
6324 - LABORATORY FEES water	5,500
6325 - ELECTION FEES	0
6326 - PERMIT / ASSESSMENT FEES tceq	6,500
6327 - LONE STAR GW DISTRICT	20,000
6329 - CAPACITY COMMITMENT EXPENSE	20,000
6332 - OPERATORS CONTRACT	
6332A - WATER PLANT	52,900
6332B - TRANSMISSION LIFT STATION (WHOLESALE)	5,500
6332C - COLLECTION SYSTEM LIFT STATIONS (RETAIL)	18,100
6332D - CUSTOMER ACCOUNTING	8,500
6333 - BOOKKEEPING CONTRACT	18,000
6338 - LEGAL NOTICES - OTHER	0
6338A - LEGAL NOTICES REQUIRED BY LAW	1,000

6339 - LOBBYING GOV'T CODE SEC 140.0045	0
6340 - ADMINISTRATIVE EXPENSE	45,000
6350 - POSTAGE	500
6351 - TELEPHONE	
6351A - COLLECTION SYSTEM	3,500
6351B - TRANSMISSION SYSTEM (WHOLESALE)	500
6352 - UTILITIES (L/S)	
6352A - COLLECTION SYSTEM LIFT STATION	7,000
6352B - TRANSMISSION SYSTEM (WHOLESALE)	7,000
6353 - INSURANCE	35,000
6354 - TRAVEL & PER DIEM	5,000
6355 - AWBD DUES & REGISTRATIONS	2,500
6359 - OTHER EXPENSES	1,000
6361 - DELIVERY EXPENSE	2,500
6362 - PAYROLL EXPENSE	2,800
6363 - BANK FEES	3,000
6365 - WEBSITE	2,000
7300 - TWDB BOND PAYMENT INTEREST	218,105
7301 - TWDB BOND PAYMENT PRINCIPLE	220,000
7310 - TRANSFER TO DS	250,000
7400 - GARBAGE EXPENSE	260,000
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TOTAL EXPENSES	4,368,903
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Income Before reserves	(289,858)
	<hr/>
Use of Prior Years Reserves	289,858
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Net Income	0
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Montgomery County #3 2023 BUDGET**Jan '23 - Dec '23****TAX ACCOUNT****Revenues**

Property Taxes (current)	325,000
Property Taxes (delinquent)	2,000
Penalties, Fees, etc.	1,000

TOTAL REVENUE**328,000****Expenses**

MCAD assessment	2,000
Delinquent tax attorney fees	230
Tax A-C fees	540
Other costs of collections	1,000
Transfer to General Fund (Property tax for M&O)	300,000
Transfer to DS (Property tax for Debt Service)	0

TOTAL EXPENSES**303,770****Net Income****24,230**

WWTP Budget

July 2023

							2023
	Jul 23	Budget	\$ Over Budget	Jan - Jul 23	YTD Budget	\$ Over Budget	Annual Budget
Income							
4203 · MCUD #3 CONTRIBUTION	18,586.59	55,312.33	(36,725.74)	258,523.12	387,186.35	(128,663.23)	663,748.00
4204 · MCUD #4 CONTRIBUTION	30,228.94	57,569.92	(27,340.98)	209,415.34	402,989.40	(193,574.06)	690,839.00
5391 · INTEREST	198.59	0.00	198.59	1,022.71	0.00	1,022.71	0.00
5400 · CAPACITY RESERVATION FEE	9,446.88	31,655.25	(22,208.37)	116,028.16	221,586.75	(105,558.59)	379,863.00
Total Income	58,461.00	144,537.50	(86,076.50)	584,989.33	1,011,762.50	(426,773.17)	1,734,450.00
Expense							
6221 · AUDIT FEES WWTP	0.00	0.00	0.00	0.00	0.00	0.00	4,250.00
6222 · ENGINEERING	255.00	2,166.67	(1,911.67)	9,879.40	15,166.65	(5,287.25)	26,000.00
6224 · LABORATORY EXPENSE	4,735.70	5,416.67	(680.97)	31,634.79	37,916.65	(6,281.86)	65,000.00
6226 · PERMIT FEES	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00
6230 · SLUDGE MANAGEMENT	0.00	0.00	0.00	0.00	0.00	0.00	115,000.00
6232 · OPERATOR CONTRACT	5,500.00	5,750.00	(250.00)	38,500.00	40,250.00	(1,750.00)	69,000.00
6233 · BOOKKEEPING	1,200.00	1,250.00	(50.00)	7,400.00	8,750.00	(1,350.00)	15,000.00
6234 · MOWING FACILITIES	543.55	833.33	(289.78)	4,891.95	5,833.35	(941.40)	10,000.00
6235 · MAINTENANCE AND REPAIRS	25,586.77	8,333.33	17,253.44	230,830.04	58,333.35	172,496.69	100,000.00
6240 · OFFICE EXPENSE	180.10	125.00	55.10	1,024.90	875.00	149.90	1,500.00
6242 · CHEMICALS	0.00	0.00	0.00	4,663.66	29,166.65	(24,502.99)	50,000.00
6252 · UTILITIES	16,860.47	8,333.33	8,527.14	78,637.20	58,333.35	20,303.85	100,000.00
6253 · INSURANCE	0.00	0.00	0.00	0.00	0.00	0.00	25,000.00
6331 · MANAGEMENT FEE	600.00	600.00	0.00	3,600.00	4,200.00	(600.00)	7,200.00
6350 · CAPITAL OUTLAY	0.00	0.00	0.00	199,600.00	200,000.00	(400.00)	1,141,000.00
6358 · MISC. EXPENSE	30.00	41.67	(11.67)	420.00	291.65	128.35	500.00
Total Expense	55,491.59	32,850.00	22,641.59	611,081.94	459,116.65	151,965.29	1,734,450.00
Net Income	2,969.41	111,687.50	(108,718.09)	(26,092.61)	552,645.85	(578,738.46)	0.00

EXHIBIT D (part of TAX RATE AND BUDGET INFORMATION)

(EXHIBIT D is the most recent financial audit of the taxing unit,
and it follows this page)

MONTGOMERY COUNTY
UTILITY DISTRICT NO. 3
MONTGOMERY COUNTY, TEXAS
ANNUAL AUDIT REPORT
DECEMBER 31, 2022

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Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

May 15, 2023

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County
Utility District No. 3
Montgomery County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montgomery County Utility District No. 3 as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Montgomery County Utility District No. 3's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montgomery County Utility District No. 3, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Montgomery County Utility District No. 3, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Montgomery County Utility District No. 3'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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I: 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 Montgomery County Utility District No. 3'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County Utility District No. 3's ability to continue as a going concern for a reasonable period of time.

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

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County Utility District No. 3's basic financial statements. The supplementary information on Pages 26 to 41 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. A. J.", is centered on the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Montgomery County Utility District No. 3 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the year ended December 31, 2022.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water, sewer and drainage services. Other activities, such as garbage 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 and liabilities owned by 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 total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' 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. 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 period.

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

Fund Financial Statements

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

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change 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 and sewer 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 total assets and total liabilities 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 are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the 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.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. The financial objective for the Special Revenue Fund is to insure that the expenditures in the funds are billed to the participants in accordance with the contract. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current and other assets	\$ 12,974,310	\$ 12,991,285	\$ (16,975)
Capital assets	6,840,565	7,156,980	(316,415)
Total assets	<u>19,814,875</u>	<u>20,148,265</u>	<u>(333,390)</u>
Long-term liabilities	7,454,375	7,839,030	(384,655)
Other liabilities	1,409,128	1,014,568	394,560
Total liabilities	<u>8,863,503</u>	<u>8,853,598</u>	<u>9,905</u>
Total deferred inflows of resources	<u>6,674,029</u>	<u>7,109,013</u>	<u>(434,984)</u>
Net position:			
Invested in capital assets, net of related debt	27,434	(1,027,016)	1,054,450
Restricted	1,142,832	1,913,111	(770,279)
Unrestricted	3,107,077	3,299,559	(192,482)
Total net position	<u>\$ 4,277,343</u>	<u>\$ 4,185,654</u>	<u>\$ 91,689</u>

Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 276,190	\$ 261,492	\$ 14,698
Charges for services	2,391,128	2,276,110	115,018
Other revenues	77,102	1,600	75,502
Total revenues	<u>2,744,420</u>	<u>2,539,202</u>	<u>205,218</u>
Expenses:			
Service operations	2,342,374	2,266,823	75,551
Debt service	310,357	481,533	(171,176)
Total expenses	<u>2,652,731</u>	<u>2,748,356</u>	<u>(95,625)</u>
Change in net position	91,689	(209,154)	300,843
Net position, beginning of year	<u>4,185,654</u>	<u>4,394,808</u>	<u>(209,154)</u>
Net position, end of year	<u>\$ 4,277,343</u>	<u>\$ 4,185,654</u>	<u>\$ 91,689</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2022, were \$5,371,862, an increase of \$58,915 from the prior year.

The General Fund balance decreased by \$198,363, primarily due to the transfer of \$500,000 to the Debt Service Fund.

The Special Revenue Fund balance did not change.

The Debt Service Fund balance increased by \$282,037, primarily due to the transfer of \$500,000 from the General Fund.

The Capital Projects Fund balance decreased by \$24,759, as authorized expenditures exceeded interest earnings on deposits.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 24 of this report. The budgetary fund balance as of December 31, 2022, was expected to be \$1,381,710 and the actual end of year fund balance was \$3,521,569.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Land and easements	\$ 356,655	\$ 356,655	\$ 0
Construction in progress	578,796	518,970	59,826
Water facilities	2,058,577	2,256,334	(197,757)
Sewer facilities	3,708,445	3,883,318	(174,873)
Drainage facilities	138,092	141,703	(3,611)
Totals	<u>\$ 6,840,565</u>	<u>\$ 7,156,980</u>	<u>\$ (316,415)</u>

Changes to capital assets during the fiscal year ended December 31, 2022, are summarized as follows:

Additions:

Water system improvements	\$ 12,770
Sewer system improvements	47,056
Total additions to capital assets	<u>59,826</u>

Decreases:

Depreciation	<u>(376,241)</u>
Net change to capital assets	<u>\$ (316,415)</u>

Debt

The District issued its \$6,835,000 Series 2023 unlimited tax bonds on February 16, 2023.

Changes in the bonded debt position of the District during the fiscal year ended December 31, 2022, are summarized as follows:

Bonded debt payable, beginning of year	\$ 8,110,000
Bonds paid	<u>(345,000)</u>
Bonded debt payable, end of year	<u>\$ 7,765,000</u>

At December 31, 2022, the District had \$17,760,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The Series 2011 bonds are neither rated nor insured. The Series 2021 bonds have an underlying rating of A by Standard & Poor's. The Series 2021 bonds are insured by Build America Mutual Assurance Company. Because of the insurance, the Series 2021 bonds are rated AA by Standard & Poor's. There were no changes in the bond ratings during the year ended December 31, 2022.

As described in Note 11 of the Notes to the Financial Statements, the City of Conroe will make future payments to the District to defray a portion of the District's debt service obligations.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$60,660,000 for the 2022 tax year (about 20%) due to the addition of new property to the tax base and the increase of the average assessed valuations on existing property.

Relationship to the City of Conroe

In February 2013, the District entered into a Strategic Partnership Agreement ("SPA") with the City of Conroe, Texas, as authorized by Texas Local Government Code, Chapter 43. The SPA provides for a "full purpose annexation" of the District by the City effective December 31, 2014. The SPA also provides that the District will continue to exist as a "limited district" after the annexation, with powers and functions provided by law, including water, wastewater, storm sewer and solid waste services, and also including the power to levy taxes and collect user fees. The District will continue to be responsible for maintenance of its water and wastewater system.

In consideration of the services to be provided by the District and for a share of the District's treatment capacity in the Wastewater Treatment Plant, the City will make various future payments to the District, as described in Note 11 of the Notes to the Financial Statements.

Water Supply Issues

The District is within the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"). The LSGCD was created by the Legislature of the State of Texas in Acts 2001, 77th Legislature, Regular Session. The LSGCD is a political subdivision of the State of Texas, governed by an elected seven member board of directors. The purpose of the LSGCD is to provide for the conservation, preservation, protection, recharging, and prevention of waste and excessive depletion of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence which may be caused by the withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution. Rule 8.1 of the rules of the LSGCD authorizes the board of directors of the LSGCD to establish by resolution a regulatory water use fee to accomplish the purposes of the LSGCD. In accordance with this rule, as of December 31, 2022, the LSGCD had established a regulatory water use fee of \$0.085 per 1,000 gallons of water pumped from each regulated well.

As of December 31, 2022, the Groundwater District's Board and Consultants were working on replacement regulations to accomplish their objectives found in their Groundwater Management Plan.

Previous regulations included reductions in groundwater pumping within the Gulf Coast Aquifer system, and they have been declared invalid by a Montgomery County Court. This was due to a lawsuit against the Lone Star Groundwater Conservation District by several Large Volume Groundwater Users (LVGUs) in Montgomery County. The ruling was confirmed and signed by the Judge on May 15, 2019, ending the lawsuit.

The District was not a party to this lawsuit, and was in compliance with the previous regulations requiring reduced groundwater pumping. By investing in a deeper water well in the Catahoula Aquifer (not part of the Gulf Coast Aquifer System), the District has successfully accessed another water supply for the future.

Currently the District has plentiful water supplies and exceeds the current Texas Commission on Environmental Quality (TCEQ) regulations for public water supplies. Future Lone Star Groundwater Conservation District regulations on pumping are anticipated to be less stringent and should have no affect on the District.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2022

	General	Special Revenue Fund	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS							
Cash, including interest-bearing accounts, Note 7	\$ 694,941	\$ 456,594	\$ 556,722	\$ 47,937	\$ 1,756,194	\$	\$ 1,756,194
Temporary investments, at cost, Note 7	2,913,365			1,435,745	4,349,110		4,349,110
Receivables:							
Property taxes	149,284		1,698		150,982		150,982
Service accounts	77,686				77,686		77,686
Standby fees	2,876				2,876		2,876
Other governmental entities	29,761	148,077			177,838		177,838
Other	35,302				35,302		35,302
Maintenance taxes collected not yet transferred from other fund	176,225				176,225	(176,225)	0
Due from other funds	91,844	115,756			207,600	(207,600)	0
Prepaid expenditures	67,106				67,106		67,106
Operating reserve at sewage treatment plant, Note 9	20,000				20,000	(20,000)	0
Due from the City of Conroe, Note 11	6,357,216				6,357,216		6,357,216
Capital assets, net of accumulated depreciation, Note 4:							
Capital assets not being depreciated					0	935,451	935,451
Depreciable capital assets					0	5,905,114	5,905,114
Total assets	\$ 10,615,606	\$ 720,427	\$ 558,420	\$ 1,483,682	\$ 13,378,135	6,436,740	19,814,875
LIABILITIES							
Accounts payable	\$ 151,751	\$ 89,624	\$	\$	\$ 241,375		241,375
Due to other governmental entity		172,982			172,982		172,982
Customer deposits	134,015				134,015		134,015
Accrued interest payable					0	76,238	76,238
Maintenance taxes collected not yet transferred to other fund			176,225		176,225	(176,225)	0
Due to other funds	115,756	37,958		53,886	207,600	(207,600)	0
Advance payment for treatment expenditures, Note 11		379,863			379,863		379,863
Other district equity in sewage treatment plant					0	20,000	20,000
Long-term liabilities, Note 5:							
Due within one year					0	384,655	384,655
Due in more than one year					0	7,454,375	7,454,375
Total liabilities	401,522	680,427	176,225	53,886	1,312,060	7,551,443	8,863,503
DEFERRED INFLOWS OF RESOURCES							
Property tax revenues	332,423		1,698		334,121	(20,184)	313,937
Standby fee revenues	2,876				2,876	0	2,876
City of Conroe, Note 11	6,357,216				6,357,216	0	6,357,216
Total deferred inflows of resources	6,692,515	0	1,698	0	6,694,213	(20,184)	6,674,029
FUND BALANCES / NET POSITION							
Fund balances:							
Nonspendable:							
Operating reserve at sewage treatment plant, Note 9	20,000				20,000	(20,000)	0
Restricted for:							
Operating reserve at sewage treatment plant, Note 9		40,000			40,000	(40,000)	0
Bond interest, Note 5	432,978				432,978	(432,978)	0
Committed to construction contracts in progress				1,025,899	1,025,899	(1,025,899)	0
Assigned to:							
Debt service			380,497		380,497	(380,497)	0
Capital projects				403,897	403,897	(403,897)	0
Unassigned	3,068,591				3,068,591	(3,068,591)	0
Total fund balances	3,521,569	40,000	380,497	1,429,796	5,371,862	(5,371,862)	0
Total liabilities, deferred inflows, and fund balances	\$ 10,615,606	\$ 720,427	\$ 558,420	\$ 1,483,682	\$ 13,378,135		
Net position:							
Invested in capital assets, net of related debt						27,434	27,434
Restricted for debt service						738,935	738,935
Restricted for capital projects						403,897	403,897
Unrestricted						3,107,077	3,107,077
Total net position						\$ 4,277,343	\$ 4,277,343

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

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES							
Property taxes	\$ 272,407	\$	\$ 2	\$	\$ 272,409	\$ 853	\$ 273,262
Water service	454,848				454,848		454,848
Sewer service	559,714				559,714		559,714
Bulk sewer service, Note 9	212,650				212,650		212,650
From participants in plant, Note 9		597,789			597,789	(301,321)	296,468
Penalty and interest	6,380		2,928		9,308		9,308
Tap connection and inspection fees	41,280				41,280		41,280
Reimbursement from the City of Conroe, Note 11	687,000	120,255			807,255		807,255
Interest on deposits and investments	52,731	194	1,880	22,297	77,102		77,102
Other revenues	12,533				12,533		12,533
Total revenues	<u>2,299,543</u>	<u>718,238</u>	<u>4,810</u>	<u>22,297</u>	<u>3,044,888</u>	<u>(300,468)</u>	<u>2,744,420</u>
EXPENDITURES / EXPENSES							
Service operations:							
Purchased sewer services, Note 9	301,321				301,321	(301,321)	0
Professional fees	238,342	69,640	892		308,874		308,874
Contracted services	77,887	76,050	2,551		156,488		156,488
Utilities	13,278	103,927			117,205		117,205
Regulatory water use fees, Note 10	26,650				26,650		26,650
Repairs and maintenance	473,201	191,203			664,404		664,404
Other operating expenditures	41,463	239,516			280,979		280,979
Garbage disposal	263,406				263,406		263,406
Administrative expenditures	108,987	37,902	61		146,950		146,950
Depreciation					0	376,241	376,241
Capital outlay / non-capital outlay	13,947			47,056	61,003	(59,826)	1,177
Debt service:							
Principal retirement	210,000		135,000		345,000	(345,000)	0
Interest and fees	229,424		84,269		313,693	(3,336)	310,357
Total expenditures / expenses	<u>1,997,906</u>	<u>718,238</u>	<u>222,773</u>	<u>47,056</u>	<u>2,985,973</u>	<u>(333,242)</u>	<u>2,652,731</u>
Excess (deficiency) of revenues over expenditures	<u>301,637</u>	<u>0</u>	<u>(217,963)</u>	<u>(24,759)</u>	<u>58,915</u>	<u>32,774</u>	<u>91,689</u>
OTHER FINANCING SOURCES (USES)							
Transfer to (from) other fund	<u>(500,000)</u>	<u>0</u>	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>(500,000)</u>	<u>0</u>	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances / net position	(198,363)	0	282,037	(24,759)	58,915	32,774	91,689
Beginning of year	<u>3,719,932</u>	<u>40,000</u>	<u>98,460</u>	<u>1,454,555</u>	<u>5,312,947</u>	<u>(1,127,293)</u>	<u>4,185,654</u>
End of year	<u>\$ 3,521,569</u>	<u>\$ 40,000</u>	<u>\$ 380,497</u>	<u>\$ 1,429,796</u>	<u>\$ 5,371,862</u>	<u>\$ (1,094,519)</u>	<u>\$ 4,277,343</u>

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

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2022

NOTE 1: REPORTING ENTITY

Montgomery County Utility District No. 3 (the "District") was created by an Act of the 62nd Legislature of the State of Texas, Regular Session, 1971, in accordance with the Texas Water Code Chapter 54, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

The District is the manager and joint owner of the Montgomery County Utility District No. 3 Sewage Treatment Plant (the "Plant"). Oversight of the Plant is exercised by the Board of Directors of the District and financial activity of the Plant has been included as a component unit in the financial statements of the District. The Plant's General Fund has been reported as the Special Revenue Fund of the District. Transactions with the Plant are described in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Special Revenue Fund -- To account for all revenues and expenditures of the general operations of the Montgomery County Utility District No. 3 Sewage Treatment Plant.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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 expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 5,371,862
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets, net		6,840,565
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (7,765,000)	
Deferred charge on refunding (to be amortized as interest expense)	28,706	
Net issuance premiums (to be amortized as interest expense)	<u>(102,736)</u>	(7,839,030)
The assets in the Special Revenue Fund are owned by the District and the other district which is a participant in the wastewater treatment plant:		
The District's equity	(20,000)	
Other district's equity	<u>(20,000)</u>	(40,000)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		20,184
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(76,238)</u>
Net position, end of year		<u>\$ 4,277,343</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances	\$	58,915
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$	59,826
Depreciation	<u>(376,241)</u>	(316,415)
The issuance of long-term debt provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Principal reduction		345,000
The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(3,416)	
Issuance premiums	<u>3,382</u>	(34)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Uncollected property taxes		853
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 the funds:		
Accrued interest		<u>3,370</u>
Change in net position	<u>\$</u>	<u>91,689</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and easements	\$ 356,655	\$	\$	\$ 356,655
Construction in progress	<u>518,970</u>	<u>59,826</u>		<u>578,796</u>
Total capital assets not being depreciated	<u>875,625</u>	<u>59,826</u>	<u>0</u>	<u>935,451</u>
Depreciable capital assets:				
Water system	5,719,504			5,719,504
Sewer system	8,019,733			8,019,733
Drainage system	<u>911,835</u>			<u>911,835</u>
Total depreciable capital assets	<u>14,651,072</u>	<u>0</u>	<u>0</u>	<u>14,651,072</u>
Less accumulated depreciation for:				
Water system	(3,463,170)	(197,757)		(3,660,927)
Sewer system	(4,136,415)	(174,873)		(4,311,288)
Drainage system	<u>(770,132)</u>	<u>(3,611)</u>		<u>(773,743)</u>
Total accumulated depreciation	<u>(8,369,717)</u>	<u>(376,241)</u>	<u>0</u>	<u>(8,745,958)</u>
Total depreciable capital assets, net	<u>6,281,355</u>	<u>(376,241)</u>	<u>0</u>	<u>5,905,114</u>
Total capital assets, net	<u>\$ 7,156,980</u>	<u>\$ (316,415)</u>	<u>\$ 0</u>	<u>\$ 6,840,565</u>
Changes to capital assets:				
Capital outlay		\$ 59,826	\$	
Less depreciation expense for the fiscal year		<u>(376,241)</u>		
Net increases / decreases to capital assets		<u>\$ (316,415)</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

The District issued its \$6,835,000 Series 2023 unlimited tax bonds on February 16, 2023.

Long-term liability activity for the year ended December 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Tax bonds payable	\$ 3,615,000	\$	\$ 135,000	\$ 3,480,000	\$ 160,000
Less deferred amounts:					
Issuance (discount), net of premium	106,118		3,382	102,736	7,890
For refunding charges	(32,122)		(3,416)	(28,706)	(3,235)
Revenue bonds payable	<u>4,495,000</u>		<u>210,000</u>	<u>4,285,000</u>	<u>220,000</u>
Total bonds payable	<u>8,183,996</u>	<u>0</u>	<u>344,966</u>	<u>7,839,030</u>	<u>384,655</u>
Total long-term liabilities	<u>\$ 8,183,996</u>	<u>\$ 0</u>	<u>\$ 344,966</u>	<u>\$ 7,839,030</u>	<u>\$ 384,655</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Bonds voted	\$ 28,935,000
Bonds approved for sale and sold	11,175,000
Bonds voted and not issued	17,760,000
Refunding bonds voted	11,000,000
Bonds approved for sale and sold	50,000
Bonds voted and not issued	10,950,000

Tax Bonds

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

The bond issues payable at December 31, 2022, were as follows:

	<u>Refunding Series 2021</u>
Amounts outstanding, December 31, 2022	\$3,480,000
Interest rates	2.00% to 3.00%
Maturity dates, serially beginning/ending	April 1, 2023/2039
Interest payment dates	April 1/October 1
Callable dates	April 1, 2029*

*Or any date thereafter at par plus accrued interest to the date of redemption, in whole or in part at the option of the District.

As of December 31, 2022, the debt service requirements on the tax bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 160,000	\$ 79,344	\$ 239,344
2024	160,000	74,544	234,544
2025	160,000	69,743	229,743
2026	165,000	64,869	229,869
2027	190,000	59,544	249,544
2028 - 2032	1,005,000	225,669	1,230,669
2033 - 2037	1,120,000	118,572	1,238,572
2038 - 2039	520,000	11,700	531,700
	<u>\$ 3,480,000</u>	<u>\$ 703,985</u>	<u>\$ 4,183,985</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Revenue Bonds

The bonds are payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

The bond issues payable at December 31, 2022, were as follows:

	<u>Series 2011</u>
Amounts outstanding, December 31, 2022	\$4,285,000
Interest rates	4.64% to 5.44%
Maturity dates, serially beginning/ending	April 1, 2023/2036
Interest payment dates	April 1/October 1
Callable dates	October 1, 2021*

*Or any date thereafter at par plus accrued interest to the date of redemption, in whole or in part at the option of the District, in inverse order of maturity.

As of December 31, 2022, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 220,000	\$ 218,105	\$ 438,105
2024	230,000	207,608	437,608
2025	240,000	196,346	436,346
2026	255,000	184,116	439,116
2027	265,000	171,009	436,009
2028 - 2032	1,545,000	628,151	2,173,151
2033 - 2036	<u>1,530,000</u>	<u>171,360</u>	<u>1,701,360</u>
	<u>\$ 4,285,000</u>	<u>\$ 1,776,695</u>	<u>\$ 6,061,695</u>

The Series 2011 Bond Order established a Reserve Account to be used to pay principal of and interest on the bonds when there is not sufficient money for such purpose. The District is to deposit into the Reserve Account equal monthly installments of 1/60 of the Reserve Requirement for 60 months following issuance of the bonds until such time that the balance in the Reserve Account equals the average debt service of the outstanding bonds (the Reserve Requirement). At December 31, 2022, the Reserve Requirement was fully funded in the amount of \$432,978.

Developer Construction Commitments and Liabilities

At December 31, 2022, there were no developer construction commitments or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES

The Montgomery Central Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Tax Bond Order requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes, after taking into account other funds available.

At an election held July 19, 1972, the voters within the District authorized a maintenance tax not to exceed \$1.00 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On September 19, 2022, the District levied the following ad valorem taxes for the 2022 tax year and the 2023 fiscal year on the adjusted taxable valuation of \$364,810,820:

	<u>Rate</u>	<u>Amount</u>
Maintenance	<u>\$ 0.0860</u>	<u>\$ 313,937</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2022 tax year total property tax levy	\$ 313,937
2022 tax year total property tax levy deferred to 2023 fiscal year	(313,937)
2021 tax year total property tax levy reported in 2022 fiscal year	274,059
Appraisal district adjustments to prior year taxes	<u>(797)</u>
Statement of Activities property tax revenues	<u>\$ 273,262</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$4,349,110.

Deposits and temporary investments restricted by state statutes and the Bond Orders:

General Fund

For payment of debt principal and interest

Cash	\$ <u>432,978</u>
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Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$ <u>556,722</u>
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Capital Projects Fund

For construction of capital assets:

Cash	\$ 47,937
Temporary investments	<u>1,435,745</u>
	<u>\$ 1,483,682</u>

NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At December 31, 2022, the District had physical damage and boiler and machinery coverage of \$21,560,000, contractor's equipment coverage of \$45,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, auto liability coverage of \$1,000,000, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$1,000,000, worker's compensation coverage of \$1,000,000, and consultant's crime coverage of \$100,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: SEWAGE TREATMENT CONTRACTS

The District is the manager and joint owner of the Montgomery County Utility District No. 3 Sewage Treatment Plant (the "Plant"). On September 21, 1987, the District and Montgomery County Utility District No. 4 entered into an Amended and Restated Water Supply and Sanitary Sewer Contract which replaced the prior agreement. The term of the Restated Agreement is 40 years. At December 31, 2022, ownership of each participating district's operating capacity in the 950,000 gallons per day ("GPD") Plant was as follows: Montgomery County Utility District No. 3 -- 475,000 GPD; Montgomery County Utility District No. 4 -- 475,000 GPD. The City of Conroe has reserved 150,000 GPD of each district's capacity beginning on January 1, 2015. Oversight of the Plant is exercised by the Board of Directors of the District and financial activity of the Plant has been included in the financial statements of the District. The Plant's General Fund has been reported as the Special Revenue Fund of the District. Construction costs of the Plant are funded by the contribution of funds from each participating district. Expansion costs of the Plant are to be based upon each participant's share of the expansion. The Plant issues no debt.

Each participant is responsible only for its share of the operating costs of the Plant. Participants are billed a monthly amount which is based upon actual costs incurred during the prior month as allocated based upon capacity owned and the number of equivalent connections within each participating district. As further described in Note 11, the City of Conroe shares in the operating costs to a limited extent. The District has contributed \$20,000 of the Plant's \$40,000 operating reserve. The District's share of operating costs was \$301,321 for the year ended December 31, 2022.

In 1998, the District leased 100,000 GPD of its capacity in the Plant to a private development company for a two year period. This lease has continued on a month to month basis. Under the terms of the lease, the development company pays \$5.50 per 1,000 gallons of flow into the Plant from the area served by the development company. The District recorded revenues of \$212,650 during the year ended December 31, 2022, from this lease.

NOTE 10: GROUNDWATER CONSERVATION DISTRICT AND GROUNDWATER REDUCTION PLAN

The District is within the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"). The LSGCD was created by the Legislature of the State of Texas in Acts 2001, 77th Legislature, Regular Session. The LSGCD is a political subdivision of the State of Texas, governed by an elected seven member board of directors. The purpose of the LSGCD is to provide for the conservation, preservation, protection, recharging, and prevention of waste and excessive depletion of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence which may be caused by the withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution. Rule 8.1 of the rules of the LSGCD authorizes the board of directors of the LSGCD to establish by resolution a regulatory water use fee to accomplish the purposes of the LSGCD. In accordance with this rule, as of December 31, 2022, the LSGCD had established a regulatory water use fee of \$0.085 per 1,000 gallons of water pumped from each regulated well. The District's well regulatory water use fees payable to the LSGCD for the fiscal year ended December 31, 2022, were \$26,650.

As of December 31, 2022, the Groundwater District's Board and Consultants were working on replacement regulations to accomplish their objectives found in their Groundwater Management Plan.

Previous regulations included reductions in groundwater pumping within the Gulf Coast Aquifer system, and they have been declared invalid by a Montgomery County Court. This was due to a lawsuit against the Lone Star Groundwater Conservation District by several Large Volume Groundwater Users (LVGUs) in Montgomery County. The ruling was confirmed and signed by the Judge on May 15, 2019, ending the lawsuit.

The District was not a party to this lawsuit, and was in compliance with the previous regulations requiring reduced groundwater pumping. By investing in a deeper water well in the Catahoula Aquifer (not part of the Gulf Coast Aquifer System), the District has successfully accessed another water supply for the future..

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 11: STRATEGIC PARTNERSHIP AGREEMENT

In February 2013, the District entered into a Strategic Partnership Agreement ("SPA") with the City of Conroe, Texas, as authorized by Texas Local Government Code, Chapter 43. The SPA provides for a "full purpose annexation" of the District by the City effective December 31, 2014. The SPA also provides that the District will continue to exist as a "limited district" after the annexation, with powers and functions provided by law, including water, wastewater, storm sewer and solid waste services, and also including the power to levy taxes and collect user fees. The District will continue to be responsible for maintenance of its water and wastewater system.

For time periods after December 31, 2014, the City has agreed to: (1) pay \$0.05 per \$100 of assessed valuation plus \$60,000 annually to the District in consideration for services to be provided by the District; (2) pay a share of the non-flow related expenses related to the wastewater treatment plant partly owned by the District as a reservation fee for 150,000 gallons per day of capacity in the plant reserved for the City by the District; (3) after deliveries of sewage from the City begin, pay a share of other wastewater treatment plant expenses; (4) make payments to the District each year from 2015 to 2036 to defray District debt service incurred for the most recent expansion of the wastewater treatment plant; and (5) make certain payments in the years 2015, 2016 and 2017 to defray part of a lease-purchase obligation previously incurred by the District. During the year ended December 31, 2022, the City paid \$687,000 to the District and \$120,255 to the Special Revenue Fund under these provisions. At this date, the City had advanced \$379,863 to the Special Revenue Fund for the City's share of the 2023 non-flow related expenses related to the wastewater treatment plant.

Under the SPA, the District's existence as a "limited district" is for an initial ten-year term, subject to extension and (in some circumstances) early termination and dissolution. If the District's existence as a "limited district" expires, or if the District is dissolved, the City is required to (1) take over all the property and other assets of the District, (2) assume all the debts, liabilities and other obligations of the District, and (3) perform all the functions of the District, including the provision of services. Under the SPA, there is also a possibility that the District could transfer its service obligations to the City but remain in existence "for the restricted purposes of levying and collecting an ad valorem tax to pay interest and principal on the remaining tax debt of the District."

A summary of the debt service related payments due from the City of Conroe is as follows:

<u>Fiscal Years</u> <u>Ending December 31</u>	<u>WWTP</u>
2023	\$ 475,045
2024	474,548
2025	473,286
2026	476,056
2027	472,949
2028-2032	2,283,972
2033-2036	<u>1,701,360</u>
	<u>\$ 6,357,216</u>

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 257,620	\$ 257,620	\$ 272,407	\$ 14,787
Water service	430,000	430,000	454,848	24,848
Sewer service	550,000	550,000	559,714	9,714
Bulk sewer service	125,000	125,000	212,650	87,650
Penalty	7,000	7,000	6,380	(620)
Tap connection and inspection fees	25,000	25,000	41,280	16,280
Reimbursement from the City of Conroe	696,863	696,863	687,000	(9,863)
Interest on deposits and investments	1,500	1,500	52,731	51,231
Other revenues	45,000	45,000	12,533	(32,467)
TOTAL REVENUES	2,137,983	2,137,983	2,299,543	161,560
EXPENDITURES				
Service operations:				
Purchased sewer services	530,285	530,285	301,321	(228,964)
Professional fees	361,000	361,000	238,342	(122,658)
Contracted services	103,000	103,000	77,887	(25,113)
Utilities	14,000	14,000	13,278	(722)
Regulatory water use fees	20,000	20,000	26,650	6,650
Repairs and maintenance	2,360,000	2,360,000	473,201	(1,886,799)
Other operating expenditures	34,000	34,000	41,463	7,463
Garbage disposal	235,000	235,000	263,406	28,406
Administrative expenditures	120,000	120,000	108,987	(11,013)
Capital outlay	11,000	11,000	13,947	2,947
Debt service:				
Principal retirement	210,000	210,000	210,000	0
Interest and fees	227,920	227,920	229,424	1,504
TOTAL EXPENDITURES	4,226,205	4,226,205	1,997,906	(2,228,299)
EXCESS REVENUES (EXPENDITURES)	(2,088,222)	(2,088,222)	301,637	2,389,859
OTHER FINANCING SOURCES (USES)				
Transfer (to) from other fund	(250,000)	(250,000)	(500,000)	(250,000)
TOTAL OTHER FINANCIAL SOURCES (USES)	(250,000)	(250,000)	(500,000)	(250,000)
EXCESS SOURCES (USES)	(2,338,222)	(2,338,222)	(198,363)	2,139,859
FUND BALANCE, BEGINNING OF YEAR	3,719,932	3,719,932	3,719,932	0
FUND BALANCE, END OF YEAR	\$ 1,381,710	\$ 1,381,710	\$ 3,521,569	\$ 2,139,859

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

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

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
From participants in plant:				
Montgomery County Utility District No. 3	\$ 530,285	\$ 530,285	\$ 301,321	\$ (228,964)
Montgomery County Utility District No. 4	551,928	551,928	296,468	(255,460)
City of Conroe	293,237	293,237	120,255	(172,982)
Interest on deposits	<u>0</u>	<u>0</u>	<u>194</u>	<u>194</u>
TOTAL REVENUES	<u>1,375,450</u>	<u>1,375,450</u>	<u>718,238</u>	<u>(657,212)</u>
EXPENDITURES				
Service operations:				
Professional fees	29,250	29,250	69,640	40,390
Contracted services	77,000	77,000	76,050	(950)
Utilities	75,000	75,000	103,927	28,927
Repairs and maintenance	125,000	125,000	191,203	66,203
Other operating expenditures	210,000	210,000	239,516	29,516
Administrative expenditures	59,200	59,200	37,902	(21,298)
Capital outlay	<u>800,000</u>	<u>800,000</u>	<u>0</u>	<u>(800,000)</u>
TOTAL EXPENDITURES	<u>1,375,450</u>	<u>1,375,450</u>	<u>718,238</u>	<u>(657,212)</u>
EXCESS REVENUES (EXPENDITURES)	0	0	0	0
FUND BALANCE, BEGINNING OF YEAR	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 0</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

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

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
DECEMBER 31, 2022

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3SCHEDULE OF SERVICES AND RATESDECEMBER 31, 2022

1. Services Provided by the District during the Fiscal Year:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" 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 type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" 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 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$16.00	4,000	N	\$1.35	4,001 to 10,000
				1.80	10,001 to 15,000
				2.25	15,001 to 20,000
				2.75	20,001 to 25,000
				3.50	25,001 to 30,000
				5.00	Over 30,000
WASTEWATER:	\$32.00		Y		
SURCHARGE:	\$0.00				

District employs winter averaging for wastewater usage: Yes ☐ No ☒

Total charges per 10,000 gallons usage: Water: \$24.10 Wastewater: \$32.00 Surcharge: \$0.00

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3
SCHEDULE OF SERVICES AND RATES (Continued)
DECEMBER 31, 2022

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	1,249	1,241	1.0	1,241
1"	23	23	2.5	58
1-1/2"	5	5	5.0	25
2"	30	28	8.0	224
3"	1	1	15.0	15
4"	1	1	25.0	25
6"	1	1	50.0	50
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>1,310</u>	<u>1,300</u>		<u>1,638</u>
Total Wastewater	<u>1,294</u>	<u>1,283</u>	1.0	<u>1,283</u>

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 328,414 Total of UD 3 and UD 4 interconnected systems
Gallons billed to customers (unaudited): 306,137 Total of UD 3 and UD 4 interconnected systems

Water Accountability Ratio
(Gallons billed/ gallons pumped): 93%

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: _____

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3EXPENDITURESFOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT					
Purchased sewer services	\$ 301,321	\$ 0	\$ 0	\$ 0	\$ 301,321
Professional fees:					
Auditing	10,950	4,250			15,200
Legal	104,059		892		104,951
Engineering	123,333	65,390			188,723
	<u>238,342</u>	<u>69,640</u>	<u>892</u>	<u>0</u>	<u>308,874</u>
Contracted services:					
Bookkeeping	14,525	10,050			24,575
Operation and billing	63,362	66,000			129,362
Tax assessor-collector			540		540
Central appraisal district			2,011		2,011
	<u>77,887</u>	<u>76,050</u>	<u>2,551</u>	<u>0</u>	<u>156,488</u>
Utilities	<u>13,278</u>	<u>103,927</u>	<u>0</u>	<u>0</u>	<u>117,205</u>
Regulatory water use fees	<u>26,650</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,650</u>
Repairs and maintenance	<u>473,201</u>	<u>191,203</u>	<u>0</u>	<u>0</u>	<u>664,404</u>
Other operating expenditures:					
Sludge hauling		96,529			96,529
Chemicals		88,725			88,725
Laboratory costs	5,578	54,262			59,840
Inspection costs	10,009				10,009
Reconnection and transfer costs	15,486				15,486
TCEQ assessment	4,954				4,954
Other	5,436				5,436
	<u>41,463</u>	<u>239,516</u>	<u>0</u>	<u>0</u>	<u>280,979</u>
Garbage disposal	<u>263,406</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>263,406</u>
Administrative expenditures:					
Director's fees	21,450	7,200			28,650
Office supplies and postage	42,144	1,344			43,488
Insurance	24,776	23,940			48,716
Permit fees	3,239	4,884			8,123
Other	17,378	534	61		17,973
	<u>108,987</u>	<u>37,902</u>	<u>61</u>	<u>0</u>	<u>146,950</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3EXPENDITURES (Continued)FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY					
Authorized expenditures	\$ 12,770	\$	\$	\$ 47,056	\$ 59,826
Tap connection costs	<u>1,177</u>			<u>1,177</u>	<u>1,177</u>
	<u>13,947</u>	<u>0</u>	<u>0</u>	<u>47,056</u>	<u>61,003</u>
DEBT SERVICE					
Principal retirement	<u>210,000</u>	<u>0</u>	<u>135,000</u>	<u>0</u>	<u>345,000</u>
Interest and fees:					
Interest	227,924		83,769		311,693
Paying agent fees	<u>1,500</u>		<u>500</u>		<u>2,000</u>
	<u>229,424</u>	<u>0</u>	<u>84,269</u>	<u>0</u>	<u>313,693</u>
TOTAL EXPENDITURES	<u>\$ 1,997,906</u>	<u>\$ 718,238</u>	<u>\$ 222,773</u>	<u>\$ 47,056</u>	<u>\$ 2,985,973</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS					
Cash receipts from revenues excluding maintenance taxes	\$ 2,252,597	\$ 531,559	\$ 4,810	\$ 22,297	\$ 2,811,263
Maintenance tax collections			292,518		292,518
Maintenance tax transfers	285,000				285,000
City of Conroe payments	687,000				687,000
Transfer from other fund			500,000		500,000
Advance payment for treatment expenditures		379,863			379,863
Increase in customer and builder deposits	<u>4,660</u>	<u></u>	<u></u>	<u></u>	<u>4,660</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>3,229,257</u>	<u>911,422</u>	<u>797,328</u>	<u>22,297</u>	<u>4,960,304</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS					
Cash disbursements for:					
Current expenditures	1,975,774	761,793	3,504		2,741,071
Capital outlay	13,947				13,947
Debt service	439,424		219,269		658,693
Other fund	47,056				47,056
Transfer to other fund	500,000				500,000
Maintenance tax transfers	<u></u>	<u></u>	<u>285,000</u>	<u></u>	<u>285,000</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>2,976,201</u>	<u>761,793</u>	<u>507,773</u>	<u>0</u>	<u>4,245,767</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	253,056	149,629	289,555	22,297	714,537
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>3,355,250</u>	<u>306,965</u>	<u>267,167</u>	<u>1,461,385</u>	<u>5,390,767</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 3,608,306</u>	<u>\$ 456,594</u>	<u>\$ 556,722</u>	<u>\$ 1,483,682</u>	<u>\$ 6,105,304</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3SCHEDULE OF TEMPORARY INVESTMENTSFOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 7955300001	Market	On demand	<u>\$ 2,913,365</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 7955300002	Market	On demand	<u>\$ 1,435,745</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 4,349,110</u>	<u>\$ 0</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED DECEMBER 31, 2022

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	\$ 128,581	\$ 1,781
Additions and corrections to prior year taxes	<u>(716)</u>	<u>(81)</u>
Adjusted receivable, beginning of year	127,865	1,700
2022 ADJUSTED TAX ROLL	<u>313,937</u>	<u>0</u>
Total to be accounted for	441,802	1,700
Tax collections: Current tax year	(183,138)	0
Prior tax years	<u>(109,380)</u>	<u>(2)</u>
RECEIVABLE, END OF YEAR	<u>\$ 149,284</u>	<u>\$ 1,698</u>
RECEIVABLE, BY TAX YEAR		
2012 and prior	\$ 6,825	\$ 1,508
2013	1,828	95
2014	1,839	95
2015	437	0
2016	617	0
2017	707	0
2018	758	0
2019	1,092	0
2020	1,618	0
2021	2,764	0
2022	<u>130,799</u>	<u>0</u>
RECEIVABLE, END OF YEAR	<u>\$ 149,284</u>	<u>\$ 1,698</u>

Fiscal year 2022 General Fund property tax revenue of \$272,407 under the modified accrual basis of accounting is comprised of prior tax year collections of \$109,380 during fiscal year 2022 and 2021 tax year collections of \$163,027 during fiscal year 2021.

Fiscal year 2022 Debt Service Fund property tax revenue of \$2 under the modified accrual basis of accounting is comprised of prior tax year collections of \$2 during fiscal year 2022.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED DECEMBER 31, 2022

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 70,601,600	\$ 66,612,190	\$ 64,018,730	\$ 62,387,110
Improvements	331,827,610	251,114,302	235,056,590	220,623,350
Personal property	9,309,693	8,292,945	8,279,084	8,900,478
Less exemptions	<u>(46,928,083)</u>	<u>(21,867,238)</u>	<u>(20,538,403)</u>	<u>(23,732,044)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 364,810,820</u>	<u>\$ 304,152,199</u>	<u>\$ 286,816,001</u>	<u>\$ 268,178,894</u>
TAX RATES PER \$100 VALUATION***				
Debt service tax rates	\$ 0.00000	\$ 0.00000	\$ 0.00000	\$ 0.00000
Maintenance tax rates*	<u>0.08600</u>	<u>0.09000</u>	<u>0.09000</u>	<u>0.08990</u>
TOTAL TAX RATES PER \$100 VALUATION***	<u>\$ 0.08600</u>	<u>\$ 0.09000</u>	<u>\$ 0.09000</u>	<u>\$ 0.08990</u>
TAX ROLLS	<u>\$ 313,937</u>	<u>\$ 274,058</u>	<u>\$ 258,637</u>	<u>\$ 241,245</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>58.3%**</u>	<u>99.0 %</u>	<u>99.4 %</u>	<u>99.5 %</u>

*Maximum tax rate approved by voters on July 19, 1972: \$1.00

**The District's taxes are usually levied in the fall and are not delinquent until after the following January 31.

***As described in Note 11 of the Notes to the Financial Statements, after December 31, 2014, the City of Conroe will make future payments to the District to defray a portion of the debt service obligations. The District has levied taxes after taking into account the future payments from the City of Conroe and other funds available.

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
DECEMBER 31, 2022

<u>Series 2011 Revenue Bonds</u>			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2023	\$ 220,000	\$ 218,105	\$ 438,105
2024	230,000	207,608	437,608
2025	240,000	196,346	436,346
2026	255,000	184,116	439,116
2027	265,000	171,009	436,009
2028	280,000	157,068	437,068
2029	295,000	142,217	437,217
2030	305,000	126,571	431,571
2031	325,000	109,984	434,984
2032	340,000	92,311	432,311
2033	355,000	73,576	428,576
2034	375,000	53,720	428,720
2035	390,000	32,912	422,912
2036	410,000	11,152	421,152
TOTALS	<u>\$ 4,285,000</u>	<u>\$ 1,776,695</u>	<u>\$ 6,061,695</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)DECEMBER 31, 2022

Due During Fiscal Years Ending December 31	Series 2021		
	Principal Due April 1	Interest Due April 1, October 1	Total
2023	\$ 160,000	\$ 79,344	\$ 239,344
2024	160,000	74,544	234,544
2025	160,000	69,743	229,743
2026	165,000	64,869	229,869
2027	190,000	59,544	249,544
2028	190,000	53,844	243,844
2029	190,000	49,094	239,094
2030	210,000	45,094	255,094
2031	210,000	40,893	250,893
2032	205,000	36,744	241,744
2033	200,000	32,694	232,694
2034	225,000	28,444	253,444
2035	220,000	23,994	243,994
2036	240,000	19,243	259,243
2037	235,000	14,197	249,197
2038	260,000	8,775	268,775
2039	260,000	2,925	262,925
TOTALS	<u>\$ 3,480,000</u>	<u>\$ 703,985</u>	<u>\$ 4,183,985</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>(1)</u>	<u>(2)</u>	<u>Totals</u>
Bond Series:	2011	2021	
Interest Rate:	4.64% to 5.44%	2.00% to 3.00%	
Dates Interest Payable:	April 1, October 1	April 1, October 1	
Maturity Dates:	April 1, 2023/2036	April 1, 2023/2039	
Bonds Outstanding at Beginning of Current Year	\$ 4,495,000	\$ 3,615,000	\$ 8,110,000
Less Retirements	<u>(210,000)</u>	<u>(135,000)</u>	<u>(345,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 4,285,000</u>	<u>\$ 3,480,000</u>	<u>\$ 7,765,000</u>
Current Year Interest Paid	<u>\$ 227,924</u>	<u>\$ 83,769</u>	<u>\$ 311,693</u>

Bond Descriptions and Original Amount of Issue

- (1) Montgomery County Utility District No. 3 Water and Sewer System Revenue Bonds, Series 2011 (\$5,420,000)
- (2) Montgomery County Utility District No. 3 Unlimited Tax Refunding Bonds, Series 2021 (\$3,615,000)

Paying Agent/Registrar

- (1) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- (2) Zions Bancorporation, N.A., Houston, Texas

<u>Bond Authority</u>	<u>Tax and Revenue Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 28,935,000	\$ 0	\$ 11,000,000
Amount Issued:	11,175,000		50,000
Remaining to be Issued:	17,760,000		10,950,000

Net Debt Service Fund deposits and investments balances as of December 31, 2022: \$ 380,497

Average annual debt service payment for remaining term of all tax debt: 246,117

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
REVENUES										
Property taxes	\$ 272,407	\$ 258,298	\$ 238,262	\$ 216,426	\$ 207,494	11.8 %	12.2 %	11.0 %	10.8 %	10.5 %
Water service	454,848	395,042	419,074	373,681	362,556	19.8	18.6	19.3	18.7	18.4
Sewer service	559,714	544,909	541,971	531,153	502,275	24.3	25.7	24.9	26.5	25.4
Bulk sewer service	212,650	166,326	135,999	113,009	60,504	9.2	7.9	6.3	5.6	3.1
Surface water fees	0	0	0	1,982	7,864	0.0	0.0	0.0	0.1	0.4
Penalty	6,380	6,837	7,031	6,875	7,860	0.3	0.3	0.3	0.3	0.4
Tap connection and inspection fees	41,280	46,487	112,523	24,653	133,403	1.8	2.2	5.2	1.2	6.8
Reimbursement from the City of Conroe	687,000	677,477	666,427	649,938	646,410	30.0	32.0	30.6	32.5	32.6
Interest on deposits and investments	52,731	1,187	17,216	71,710	32,844	2.3	0.1	0.8	3.6	1.7
Other revenues	12,533	21,971	34,669	13,802	12,843	0.5	1.0	1.6	0.7	0.7
TOTAL REVENUES	<u>2,299,543</u>	<u>2,118,534</u>	<u>2,173,172</u>	<u>2,003,229</u>	<u>1,974,053</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Purchased services	301,321	294,033	224,388	216,133	201,701	13.1	13.9	10.3	10.8	10.2
Professional fees	238,342	243,114	209,643	234,868	196,137	10.4	11.5	9.6	11.7	9.9
Contracted services	77,887	74,226	74,908	87,685	88,386	3.4	3.5	3.4	4.4	4.5
Utilities	13,278	16,638	11,715	12,500	14,344	0.6	0.8	0.5	0.6	0.7
Regulatory water use fees	26,650	26,697	24,204	20,166	24,275	1.2	1.3	1.1	1.0	1.2
Repairs, maintenance and other operating exp.	514,664	449,411	440,482	531,277	652,895	22.3	21.1	20.4	26.5	33.1
Garbage disposal	263,406	238,251	215,325	215,450	212,745	11.5	11.2	9.9	10.8	10.8
Administrative expenditures	108,987	109,654	90,793	81,404	76,322	4.7	5.2	4.2	4.1	3.9
Capital outlay	13,947	412,301	122,374	38,769	58,027	0.6	20.7	5.6	1.9	2.9
Debt service:										
Principal retirement	210,000	200,000	190,000	180,000	175,000	9.1	9.4	8.7	9.0	8.9
Interest and fees	229,424	238,478	246,751	254,050	260,470	10	10.1	11.5	12.7	13.2
TOTAL EXPENDITURES	<u>1,997,906</u>	<u>2,302,803</u>	<u>1,850,583</u>	<u>1,872,302</u>	<u>1,960,302</u>	<u>86.9</u>	<u>108.7</u>	<u>85.2</u>	<u>93.5</u>	<u>99.3</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 301,637</u>	<u>\$ (184,269)</u>	<u>\$ 322,589</u>	<u>\$ 130,927</u>	<u>\$ 13,751</u>	<u>13.1 %</u>	<u>(8.7) %</u>	<u>14.8 %</u>	<u>6.5 %</u>	<u>0.7 %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,300</u>	<u>1,289</u>	<u>1,288</u>	<u>1,281</u>	<u>1,276</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,283</u>	<u>1,273</u>	<u>1,274</u>	<u>1,266</u>	<u>1,261</u>					

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
REVENUES										
Property taxes	\$ 2	\$ 70	\$	\$ 201	\$ 26	0.0 %	0.8 %	0.0 %	6.5 %	0.9 %
Penalty and interest	2,928	3,614	2,219	2,837	2,730	60.9	42.4	97.8	91.5	91.6
Accrued interest on bonds received at date of sale	0	4,766	0	0	0	0.0	55.9	0.0	0.0	0.0
Interest on deposits and investments	1,880	74	50	63	224	39.1	0.9	2.2	2.0	7.5
TOTAL REVENUES	4,810	8,524	2,269	3,101	2,980	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Contracted services	2,551	2,468	617	483	780					
Other expenditures	953	1,164	2,435	2,319	2,279					
Debt service:										
Principal retirement	135,000	125,000	125,000	125,000	100,000					
Interest and fees	84,269	106,334	127,850	132,000	135,375					
TOTAL EXPENDITURES	222,773	234,966	255,902	259,802	238,434	N/A	N/A	N/A	N/A	N/A
EXCESS REVENUES (EXPENDITURES)	\$ (217,963)	\$ (226,442)	\$ (253,633)	\$ (256,701)	\$ (235,454)	N/A %	N/A %	N/A %	N/A %	N/A %
Transfer from other fund	\$ 0	\$ 0	\$ 500,000	\$ 250,000	\$ 0					

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSDECEMBER 31, 2022

Complete District Mailing Address: Montgomery County Utility District No. 3
P.O. Box 1268
Montgomery, Texas 77356

District Business Telephone No.: 936-588-1166

Submission date of the most recent District Registration Form: May 18, 2022

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid*</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Doris Hickman c/o Hays Utility North Corporation P.O. Box 1268 Montgomery, Texas 77356	Elected 5/07/22 5/02/26	\$ 6,300	\$ 349	President
Richard Tibbetts c/o Hays Utility North Corporation P.O. Box 1268 Montgomery, Texas 77356	Elected 5/07/22 5/02/26	5,400	0	Vice President
Janis Boulware c/o Hays Utility North Corporation P.O. Box 1268 Montgomery, Texas 77356	Elected 5/02/20- 5/04/24	4,950	675	Secretary
Carolyn H. Smith c/o Hays Utility North Corporation P.O. Box 1268 Montgomery, Texas 77356	Elected 5/02/20- 5/04/24	5,250	23	Treasurer
Judy Robert c/o Hays Utility North Corporation P.O. Box 1268 Montgomery, Texas 77356	Elected 5/07/22 5/02/26	3,150	1,300	Assistant Secretary

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)DECEMBER 31, 2022CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Norton Rose Fulbright US LLP 1301 McKinney Street, Suite 5100 Houston, Texas 77010	6/6/72	\$ 21,529	Attorney
James L. Dougherty, Jr. 12 Greenway Plaza, Suite 1100 Houston, Texas 77046	4/15/13	82,531	Attorney
Linebarger, Goggan, Blair & Sampson, L.L.P. P. O. Drawer 2789 Texas City, Texas 77592-2789	Prior to 12/31/2014	892	Delinquent Tax Attorney
Protocol Bookkeeping, Inc. 1506 Whispering Pines Houston, Texas 77055	11/22/82	32,913	Bookkeeper
Hays Utility North Corporation P.O. Box 1268 Montgomery, Texas 77356	1/1/94	1,099,419	Operator
Ward, Getz & Associates, L.L.P. 2500 Tanglewilde, Suite 301 Houston, Texas 77063	6/21/21	183,062	Engineer
Tammy J. McRae Montgomery County TAC 400 N. San Jacinto Conroe, Texas 77301	03/88	540	Tax Assessor- Collector
Montgomery Central Appraisal District P.O. Box 2233 Conroe, Texas 77305	Legislative Action	2,011	Central Appraisal District
The GMS Group, L.L.C. 5075 Westheimer, Suite 1175 Houston, Texas 77056	Prior to 10/1/92	2,400	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	10/20/08	15,200	Independent Auditor

See accompanying independent auditor's report.