

**TAX RATE AND BUDGET INFORMATION** for fiscal year ending 12-31-2025 ("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 September 1, 2025*

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	<b>Revenues or income:</b> General Fund, ex. Tax Account (with transfers or uses of funds from GF reserves and bond proceeds from CPF): decrease of (\$1,070,572) or (25.2%) WWTP: decrease of (\$4,362,350) or (53.9%) % <b>Expenses :</b> General Fund, ex. Tax Account (with transfers for revenue bond DS but not transfers for tax bonds DS): decrease of (\$1,081,309) or (25.4% WWTP: decrease of (\$4,362,350) or (53.9% )
(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	\$300,000 for 2023; see EXHIBIT B \$320,000 for 2024; see EXHIBIT B \$340,690 for 2025 (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	For 2023: Up to \$688,105 for revenue and tax bonds; see EXHIBIT B For 2024: Up to \$438,105 for revenue bonds; see EXHIBIT B For 2025: Up to \$1,092,314 for revenue and tax bonds; see EXHIBIT C
(9)	the tax rate for maintenance and operations adopted by the taxing unit for the preceding two years	\$0.0820 per \$100 for TY 2023 \$0.0828 per \$100 for TY 2024
(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	\$0.000 per \$100 for TY 2023 \$0.040 per \$100 for TY 2024
(12)	the tax rate for maintenance and operations proposed by the taxing unit for the current year	\$0.0851 per \$100 for TY 2025
(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;	\$0.060 per \$100 for TY 2025
(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 MADE PARTS OF THE INFORMATION POSTED:

**EXHIBIT A**  
**EXHIBIT B**  
**EXHIBIT C**  
**EXHIBIT D**

**EXHIBIT A** (part of TAX RATE AND BUDGET INFORMATION)

(1) Name of each member of the governing body of the taxing unit:

Doris Hickman, Richard Tibbetts, Janis Boulware, Judy Robert, Matthew Corley

(2) Mailing address, e-mail address, and telephone number of the taxing unit;

Mailing address: Montgomery County Utility District No. 3  
1550 Lamar Street, Suite 2000  
Houston, Texas

Email address: [jessica.leung@nortonrosefulbri](mailto:jessica.leung@nortonrosefulbri)

Telephone number: 713-651-5691

(3) Official contact information for each member of the governing body of the taxing unit:

Same as in (2), above.

**EXHIBIT B** (part of TAX RATE AND BUDGET INFORMATION)

## General Fund Budget, 2023

## 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
<b>TOTAL REVENUE</b>	<b>4,079,045</b>
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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<b>TOTAL EXPENSES</b>	<b>4,368,903</b>
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<b>Income Before reserves</b>	<b>(289,858)</b>
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<b>Use of Prior Years Reserves</b>	<b>289,858</b>
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<b>Net Income</b>	<b>0</b>
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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

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<b>TOTAL REVENUE</b>	<b>328,000</b>
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**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

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<b>TOTAL EXPENSES</b>	<b>303,770</b>
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<b>Net Income</b>	<b>24,230</b>
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# WWTP Budget

July 2023

							2023
	Jul 23	Budget	\$ Over Budget	Jan - Jul 23	YTD Budget	\$ Over Budget	Annual Budget
<b>Income</b>							
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
<b>Total Income</b>	<b>58,461.00</b>	<b>144,537.50</b>	<b>(86,076.50)</b>	<b>584,989.33</b>	<b>1,011,762.50</b>	<b>(426,773.17)</b>	<b>1,734,450.00</b>
<b>Expense</b>							
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
<b>Total Expense</b>	<b>55,491.59</b>	<b>32,850.00</b>	<b>22,641.59</b>	<b>611,081.94</b>	<b>459,116.65</b>	<b>151,965.29</b>	<b>1,734,450.00</b>
<b>Net Income</b>	<b>2,969.41</b>	<b>111,687.50</b>	<b>(108,718.09)</b>	<b>(26,092.61)</b>	<b>552,645.85</b>	<b>(578,738.46)</b>	<b>0.00</b>

# General Fund Budget, 2024

## Ordinary Income/Expense Income

### Water Revenue

4100 • Customer Service Fees • Water	526,060.00
4110 • WaterTap Connection Fees	15,000.00
4150 • RWA Collections	5,000.00
Total Water Revenue	546,060.00

### Sewer Revenue

4200 • Customer Service Fees • Sewer	559,170.00
4202 • Sewer Inspection Fees	15,300.00
Total Sewer Revenue	574,470.00

### Other Revenues

4320 • Maintenance Taxes	320,000.00
4330 • Penalties and Interest	7,000.00
4400 • Transfer/Connection Fees	4,000.00
4401 • Aqua Source	140,000.00
4502 • Bond Reimbursement 2011	475,045.00
5380 • Miscellaneous Income	2,000.00
5391 • Interest Income	135,200.00
5400 • COC - Reimbursement	222,000.00
5410 • Transmission Cost Revenue	340,000.00
5411 • Capacity Commitment Revenue	20,000.00
5413 • Transferred from CPF	1,460,000.00
Total Other Revenues	3,125,245.00

Total Income 4,245,775.00

## Expense

### Water Expenses

6102 • Joint Water Plants	70,000.00
6126 • Permit Fees	3,300.00
6135 • Repairs & Maintenance	875,000.00
6136 • Water Plant Maintenance	35,000.00
6170 • Tap Connection Expense	6,000.00
Total Water Expenses	989,300.00

### Sewer Expenses

6202 • WWTP Expense	347,599.00
6230 • Storm Drainage System	50,000.00
6226 • Permit Fees	3,000.00
6235 • Repair and Maintenance	1,450,000.00
6275 • Sewer Inspection Expense	12,000.00
Total Sewer Expenses	1,862,599.00

### Other Expenses

6310 • Director Fees	30,498.00
6314 • Payroll Taxes	2,440.00
6320 • Legal Fees	80,000.00

6321 • Auditing Fees	12,500.00
6322 • Engineering Fees	245,000.00
6323 • Financial Advisor Fees	2,100.00
6324 • Laboratory Fees	5,500.00
6326 • TCEQ Assessment Fees	5,425.00
6327 • Lone Star GW • Permit Fees	20,000.00
6329 • Capacity Commitment Expense	20,000.00
6332 • Other Operator Expense	85,000.00
6333 • Bookkeeping Fees	21,600.00
6338A • Legal Notices Required by Law	1,000.00
6340 • Office Expense	45,000.00
6350 • Postage	500.00
6351 • Telephone	6,035.00
6352 • Utilities	14,000.00
6353 • Insurance	54,155.00
6354 • Travel Expense	5,000.00
6356 • Registration/Membership Fees	2,500.00
6359 • Other Expenses	4,000.00
6361 • Delivery Expense	300.00
6365 • Website Expenses	2,100.00
6380 • Termination/Reconn./NSFEx	18,000.00
6399 • Garbage Expense	283,865.00
Total Other Expenses	<u>966,518.00</u>
Total Expense	<u>3,818,417.00</u>
Net Ordinary Income	427,358.00
Other Income/Expense	
Other Expense	
Capital Outlay	
7300 • Capital Outlay	0.00
7302 • TWDB Bond Payment Int Exp	218,105.00
7303 • TWBD Principal Payment	220,000.00
7304 • Transferred to DSF	
Total Capital Outlay	<u>438,105.00</u>
Total Other Expense	<u>438,105.00</u>
Net Other Income	<u>-438,105.00</u>
Net Income	<u>-10,747.00</u>



WWTP Budget, 2024

	May 24	Budget	Jan - May 24	YTD Budget	2024 Annual Budget
<b>Ordinary Income/Expense</b>					
Income					
4203 · Service Fees from MC UD 3	55,053.87	255,654.00	181,898.84	1,278,270.00	3,067,848.00
4204 · Service Fees from MC UD 4	48,361.96	254,697.00	165,753.94	1,273,485.00	3,056,364.00
5391 · Interest	1,346.39	0.00	7,161.37	0.00	0.00
5400 · Capacity Reservation Fee	9,446.92	164,144.00	47,234.60	820,730.00	1,969,738.00
<b>Total Income</b>	<b>114,209.14</b>	<b>674,495.00</b>	<b>402,048.75</b>	<b>3,372,485.00</b>	<b>8,093,950.00</b>
Expense					
6224 · Laboratory Expense	3,740.95	5,416.00	24,580.11	27,088.00	65,000.00
6226 · Permit Fees	0.00	0.00	0.00	0.00	5,000.00
6232 · Operator Fees	5,500.00	5,750.00	27,500.00	28,750.00	69,000.00
6234 · Mowing	1,087.10	833.00	3,799.33	4,169.00	10,000.00
6235 · Repair and Maintenance	24,935.21	16,666.00	168,586.01	83,338.00	200,000.00
6237 · Sludge Removal	63,132.72	9,583.00	63,132.72	47,919.00	115,000.00
6242 · Chemicals	5,661.50	4,100.00	19,391.38	21,300.00	50,000.00
6252 · Utilities	8,029.67	8,333.00	41,460.82	41,669.00	100,000.00
6321 · Auditing Fees	0.00	0.00	4,250.00	4,250.00	4,250.00
6322 · Engineering Fees	0.00	2,166.00	7,640.58	10,838.00	26,000.00
6331 · Management Fee	600.00	600.00	3,000.00	3,000.00	7,200.00
6333 · Bookkeeping Fees	1,450.00	1,250.00	7,250.00	6,250.00	15,000.00
6340 · Office Expense	31.99	166.00	150.85	838.00	2,000.00
6353 · Insurance	0.00	0.00	31,146.95	25,000.00	25,000.00
6359 · Other Expenses	40.00	41.00	160.00	213.00	500.00
<b>Total Expense</b>	<b>114,209.14</b>	<b>54,904.00</b>	<b>402,048.75</b>	<b>304,622.00</b>	<b>693,950.00</b>
<b>Net Ordinary Income</b>	<b>0.00</b>	<b>619,591.00</b>	<b>0.00</b>	<b>3,067,863.00</b>	<b>7,400,000.00</b>
<b>Other Income/Expense</b>					
Other Expense					
7300 · Capital Outlay - Facilities	0.00	0.00	0.00	0.00	7,400,000.00
<b>Total Other Expense</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>7,400,000.00</b>
<b>Net Other Income</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-7,400,000.00</b>
<b>Net Income</b>	<b>0.00</b>	<b>619,591.00</b>	<b>0.00</b>	<b>3,067,863.00</b>	<b>0.00</b>

**EXHIBIT C** (part of TAX RATE AND BUDGET INFORMATION)

## General Fund Budget, 2025

**Ordinary Income/Expense****Income****Water Revenue**

4100 • Customer Service Fees -Water	513,660.00
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4110 • Water Tap Connection Fees	30,000.00
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<b>Total Water Revenue</b>	<b>543,660.00</b>
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**Sewer Revenue**

4200 • Customer Service Fees -Sewer	573,350.00
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4202 • Sewer Inspection Fees	21,420.00
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4210 • Grease Trap Inspections	0.00
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<b>Total Sewer Revenue</b>	<b>594,770.00</b>
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**Other Revenues**

4320 • Maintenance Taxes	340,690.00
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4330 • Penalties and Interest	8,200.00
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4400 • Transfer/ Connection Fees	11,310.00
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4401 • Aqua Source	140,000.00
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4502 • Bond Reimbursement2011	436,346.00
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5380 • Miscellaneous Income	2,000.00
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5391 • Interest Income	135,200.00
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5400 • COC -Reimbursement	242,500.00
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5412 • Use of GOF Reserve Funds	720,527.32
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<b>Total Other Revenues</b>	<b>2,036,773.32</b>
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<b>Total Income</b>	<b>3,175,203.32</b>
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**Expense****Water Expenses**

6102 • Joint Water Plants	94,288.00
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6126 • Permit Fees	3,300.00
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6135 • Repairs & Maintenance	223,000.00
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6136 • Waste Plant Maintenance	35,000.00
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6170 • Tap Connection Expense	6,000.00
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<b>Total Water Expenses</b>	<b>361,588.00</b>
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**Sewer Expenses**

6202 • WWTP Expense	372,723.00
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6230 • Storm Drainage System	50,000.00
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6226 • Permit Fees	3,000.00
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6235 • Repair and Maintenance	140,000.00
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6235.01 • Lift Station Rehab	300,000.00
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6275 • Sewer Inspection Expense	13,750.00
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<b>Total Sewer Expenses</b>	<b>879,473.00</b>
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General Fund Budget, 2025, cont.

Other Expenses	
6310 • Director Fees	30,498.00
6314 • Payroll Taxes	2,440.00
6320 • Legal Fees	80,000.00
6321 • Auditing Fees	12,500.00
6322 • Engineering Fees	130,000.00
6322.01 • Transmission Waterline Rep. Ph1	448,493.32
6322.02 • Admin&Dawns Edge LS Rehab&Conv	209,000.00
6323 • Financial Advisor Fees	2,100.00
6324 • Laboratory Fees	15,000.00
6326 • TCEQ Assessment Fees	5,425.00
6327 • Lone Star GW - Permit Fees	20,000.00
6332 • Other OperatoExpense	85,000.00
6333 • Bookkeeping Fees	21,600.00
6338A • Legal Notices Required by Law	1,000.00
6340 • Office Expense	45,000.00
6351 • Telephone	6,035.00
6352 • Utilities	14,000.00
6353 • Insurance	30,000.00
6354 • Travel Expense	5,000.00
6356 • Registration/MembershiFees	2,500.00
6359 • Other Expenses	4,000.00
6365 • WebsitExpenses	2,100.00
6380 • Termination/Reconnection/NSF Ex	18,160.00
6399 • Garbage Expense	307,945.00
Total Other Expenses	1,497,796.32
Total Expense	2,738,857.32
Net Ordinary Income	436,346.00
Other	
Income/Expense	
Other Expense	
Capital Outlay	
7300 • Capital Outlay	0.00
7302 • TWDB Bond Payment Int Exp	196,346.00
7303 • TWBD Principal Payment	240,000.00
Total Capital Outlay	436,346.00
Total Other Expense	436,346.00
Net Other Income	-436,346.00
Net Income	0.00

APPENDIX  
Debt Service  
FY 2025  
*As adopted March 17, 2025*

**Sources of Funds**

General Fund 2025 Budget	<i>From Account _____</i>	436,346
Tax Account	<i>Portion of proceeds of debt service levies for 2024 and 2025 Tax Years</i>	167,600
Use of beginning balance in Debt Service Fund(s)	<i>From beginning balance in Debt Service Fund</i>	488,368
Total		1,092,314

**Uses of Funds**

Payment of Debt Service, Revenue Bonds, Series 2011	<i>From General Fund 2025 Budget.</i>	\$ 436,346
Payment of Debt Service, Outstanding tax bonds	<i>From a portion of proceeds of debt service levies for 2024 and 2025 Tax Years and _____</i>	\$ 655,968
Total		\$1,092,314

APPENDIX  
Capital Projects  
FY 2025  
*As adopted February 17, 2025*

**Sources of Funds**

General Fund 2025 Budget	<i>From Account 6235.01 (\$300,000) Account 6322.02 (\$209,000) Account 6322.01 (\$448,493)</i>	\$ 957,493.32
Proceeds of Tax Bonds, Series 2023	<i>For WWTP Lift Station Replacement</i>	\$ 397,500.00
Proceeds of Tax Bonds, Series 2014	<i>For Transmission WL Replacement - Phase I</i>	\$ 435,835.68
Total		\$ 1,790,829.00

**Uses of Funds**

WWTP Lift Station Replacement	<i>UD3 share (project costs less UD4 and City of Conroe payments), from Proceeds of Tax Bonds, Series 2023</i>	\$ 397,500.00
Transmission WL Replacement - Phase I	<i>From Account 6322.01 (\$448,493) Proceeds of Tax Bonds, Series 2024 (\$435,835.68)</i>	\$ 884,329.00
Admin and Dawns Edge LS Conversion	<i>From Account 6235.01 (\$300,000) Account 6322.02 (\$209,000)</i>	\$ 509,000.00
Total		\$1,790,829.00

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WWTP Budget, 2025

**Ordinary Income/Expense**

**Income**

4203 • Service Fees from MC UD 3	1,497,723.00
4204 • Service Fees from MC UD 4	1,473,877.00
5391 • Interest	10,000.00
5400 • Capacity Reservation Fee	750,000.00

<b>Total Income</b>	<b>3,731,600.00</b>
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**Expense**

6224 • Laboratory Expense	54,000.00
6226 • Permit Fees	5,000.00
6232 • Operator Fees	66,000.00
6234 • Mowing	10,000.00
6235 • Repair and Maintenance	200,000.00
6237 • Sludge Removal	140,000.00
6242 • Chemicals	72,500.00
6252 • Utilities	100,000.00
6321 • Auditing Fees	5,000.00
6322 • Engineering Fees	20,000.00
6331 • Management Fee	7,200.00
6333 • Bookkeeping Fees	17,400.00
6340 • OfficeExpense	2,000.00
6353 • Insurance	32,000.00
6359 • OtherExpenses	500.00

<b>Total Expense</b>	<b>731,600.00</b>
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<b>Net Ordinary Income</b>	<b>3,000,000.00</b>
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**Other Income/Expense**

7300 • Capital Outlay - Facilities	3,000,000.00
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<b>Total Other/Expense</b>	<b>3,000,000.00</b>
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<b>Net Other Income</b>	<b>-3,000,000.00</b>
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<b>Net Income</b>	<b>0.00</b>
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**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, 2024

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# Mark C. Eyring, CPA, PLLC

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April 21, 2025

## 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, 2024, 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, 2024, 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 25 to 42 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. G. J.", is located in the lower right portion of 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, 2024.

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>2024</u>	<u>2023</u>	<u>Change</u>
Current and other assets	\$ 19,615,339	\$ 19,963,399	\$ (348,060)
Capital assets	7,960,291	7,732,011	228,280
Total assets	<u>27,575,630</u>	<u>27,695,410</u>	<u>(119,780)</u>
Long-term liabilities	13,230,368	13,784,055	(553,687)
Other liabilities	3,709,778	3,495,663	214,115
Total liabilities	<u>16,940,146</u>	<u>17,279,718</u>	<u>(339,572)</u>
Total deferred inflows of resources	<u>5,925,315</u>	<u>6,206,031</u>	<u>(280,716)</u>
Net position:			
Invested in capital assets, net of related debt	(5,823,764)	(5,261,435)	(562,329)
Restricted	7,246,669	5,880,322	1,366,347
Unrestricted	3,287,264	3,590,774	(303,510)
Total net position	<u>\$ 4,710,169</u>	<u>\$ 4,209,661</u>	<u>\$ 500,508</u>

#### Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 321,403	\$ 310,166	\$ 11,237
Charges for services	2,594,004	2,415,243	178,761
Other revenues	562,262	346,080	216,182
Total revenues	<u>3,477,669</u>	<u>3,071,489</u>	<u>406,180</u>
Expenses:			
Service operations	2,417,429	2,246,153	171,276
Debt service	559,732	893,018	(333,286)
Total expenses	<u>2,977,161</u>	<u>3,139,171</u>	<u>(162,010)</u>
Change in net position	500,508	(67,682)	568,190
Net position, beginning of year	<u>4,209,661</u>	<u>4,277,343</u>	<u>(67,682)</u>
Net position, end of year	<u>\$ 4,710,169</u>	<u>\$ 4,209,661</u>	<u>\$ 500,508</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, 2024, were \$10,690,149, a decrease of \$124,203 from the prior year.

The General Fund balance decreased by \$301,691, in accordance with the District's financial plan.

The Special Revenue Fund balance did not change.

The Debt Service Fund balance increased by \$205,483, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$27,995, as authorized expenditures exceeded interest earnings on deposits and investments.

#### *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 23 of this report. The budgetary fund balance as of December 31, 2024, was expected to be \$2,193,838 and the actual end of year fund balance was \$3,702,894.

### **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>2024</u>	<u>2023</u>	<u>Change</u>
Land and easements	\$ 356,655	\$ 356,655	\$ 0
Construction in progress	554,397	1,831,479	(1,277,082)
Water facilities	1,897,912	1,860,820	37,092
Sewer facilities	5,020,457	3,548,576	1,471,881
Drainage facilities	130,870	134,481	(3,611)
Totals	<u>\$ 7,960,291</u>	<u>\$ 7,732,011</u>	<u>\$ 228,280</u>

Changes to capital assets during the fiscal year ended December 31, 2024, are summarized as follows:

#### Additions:

Water system improvements	\$ 213,479
Sewer system improvements	370,907
Joint facilities improvements	<u>72,043</u>
Total additions to capital assets	656,429

#### Decreases:

Depreciation	<u>(428,149)</u>
Net change to capital assets	<u>\$ 228,280</u>

#### *Debt*

Changes in the bonded debt position of the District during the fiscal year ended December 31, 2024, are summarized as follows:

Bonded debt payable, beginning of year	\$ 14,220,000
Bonds paid	<u>(390,000)</u>
Bonded debt payable, end of year	<u>\$ 13,830,000</u>

At December 31, 2024, the District had \$10,925,000 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 and 2023 bonds are insured by Build America Mutual Assurance Company. Because of the insurance, the Series 2021 and 2023 bonds are rated AA by Standard & Poor's. There were no changes in the bond ratings during the year ended December 31, 2024.

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 \$29,965,000 for the 2024 tax year (about 8%) due to 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, 77<sup>th</sup> 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 of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence 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, 2024, the LSGCD had established a regulatory water use fee of \$0.085 per 1,000 gallons of water pumped from each regulated well.



MONTGOMERY COUNTY UTILITY DISTRICT NO. 3

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2024

	General	Special Revenue Fund	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
<b>ASSETS</b>							
Cash, including interest-bearing accounts, Note 7	\$ 845,843	\$ 2,792,143	\$ 804,089	\$ 9,645	\$ 4,451,720	\$	\$ 4,451,720
Temporary investments, at cost, Note 7	2,691,743			6,431,112	9,122,855		9,122,855
Receivables:							
Property taxes	178,202		77,731		255,933		255,933
Service accounts	141,007				141,007		141,007
Standby fees	2,689				2,689		2,689
Other governmental entities	62,901	71,186		12,491	146,578		146,578
Other	71,793				71,793		71,793
Maintenance taxes collected not yet transferred from other fund	202,546				202,546	(202,546)	0
Due from other funds	143,703	16,260		73,370	233,333	(233,333)	0
Prepaid expenditures	15,141				15,141		15,141
Operating reserve at sewage treatment plant, Note 9	20,000				20,000	(20,000)	0
Due from the City of Conroe, Note 11	5,407,623				5,407,623		5,407,623
Capital assets, net of accumulated depreciation, Note 4:							
Capital assets not being depreciated					0	911,052	911,052
Depreciable capital assets					0	7,049,239	7,049,239
<b>Total assets</b>	<b>\$ 9,783,191</b>	<b>\$ 2,879,589</b>	<b>\$ 881,820</b>	<b>\$ 6,526,618</b>	<b>\$ 20,071,218</b>	<b>7,504,412</b>	<b>27,575,630</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 147,004	\$ 43,166	\$	\$	\$ 190,170		190,170
Construction contracts payable					0		0
Due to other governmental entity		1,801,308			1,801,308		1,801,308
Customer deposits	138,755				138,755		138,755
Accrued interest payable					0	138,583	138,583
Maintenance taxes collected not yet transferred to other fund			202,546		202,546	(202,546)	0
Due to other funds	16,260	127,840		89,233	233,333	(233,333)	0
Advance payment for treatment expenditures, Note 11		867,275			867,275		867,275
Other district equity in sewage treatment plant					0	20,000	20,000
Long-term liabilities, Note 5:							
Due within one year					0	553,687	553,687
Due in more than one year					0	13,230,368	13,230,368
<b>Total liabilities</b>	<b>302,019</b>	<b>2,839,589</b>	<b>202,546</b>	<b>89,233</b>	<b>3,433,387</b>	<b>13,506,759</b>	<b>16,940,146</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Property tax revenues	367,966		169,404		537,370	(22,367)	515,003
Standby fee revenues	2,689				2,689	0	2,689
City of Conroe, Note 11	5,407,623				5,407,623	0	5,407,623
<b>Total deferred inflows of resources</b>	<b>5,778,278</b>	<b>0</b>	<b>169,404</b>	<b>0</b>	<b>5,947,682</b>	<b>(22,367)</b>	<b>5,925,315</b>
<b>FUND BALANCES / NET POSITION</b>							
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	436,346				436,346	(436,346)	0
Assigned to:							
Debt service			509,870		509,870	(509,870)	0
Capital projects				6,437,385	6,437,385	(6,437,385)	0
Unassigned	3,246,548				3,246,548	(3,246,548)	0
<b>Total fund balances</b>	<b>3,702,894</b>	<b>40,000</b>	<b>509,870</b>	<b>6,437,385</b>	<b>10,690,149</b>	<b>(10,690,149)</b>	<b>0</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 9,783,191</b>	<b>\$ 2,879,589</b>	<b>\$ 881,820</b>	<b>\$ 6,526,618</b>	<b>\$ 20,071,218</b>		
Net position:							
Invested in capital assets, net of related debt, Note 4						(5,823,764)	(5,823,764)
Restricted for debt service						809,284	809,284
Restricted for capital projects						6,437,385	6,437,385
Unrestricted						3,287,264	3,287,264
<b>Total net position</b>						<b>\$ 4,710,169</b>	<b>\$ 4,710,169</b>

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, 2024

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>							
Property taxes	\$ 317,349	\$	\$	\$	\$ 317,349	\$ 1,536	\$ 318,885
Water service	499,536				499,536		499,536
Sewer service	571,924				571,924		571,924
Bulk sewer service, Note 9	290,569				290,569		290,569
From participants in plant, Note 9		761,154			761,154	(157,109)	604,045
Penalty and interest	8,503		2,518		11,021		11,021
Tap connection and inspection fees	12,600				12,600		12,600
Reimbursement from the City of Conroe, Note 11	730,309	168,430			898,739	(323,628)	575,111
Interest on deposits and investments	159,462	17,955	8,633	376,212	562,262		562,262
Other revenues	31,716				31,716		31,716
<b>Total revenues</b>	<b>2,621,968</b>	<b>947,539</b>	<b>11,151</b>	<b>376,212</b>	<b>3,956,870</b>	<b>(479,201)</b>	<b>3,477,669</b>
<b>EXPENDITURES / EXPENSES</b>							
Service operations:							
Purchased sewer services, Note 9	323,628				323,628	(323,628)	0
Professional fees	182,654	24,138	612		207,404		207,404
Contracted services	81,176	83,400	4,481		169,057		169,057
Utilities	12,892	95,841			108,733		108,733
Regulatory water use fees, Note 10	26,650				26,650		26,650
Repairs and maintenance	434,992	264,797			699,789		699,789
Other operating expenditures	56,207	275,061			331,268		331,268
Garbage disposal	300,399				300,399		300,399
Administrative expenditures	92,939	47,193	1,140		141,272		141,272
Depreciation					0	428,149	428,149
Capital outlay / non-capital outlay	256,930	157,109		404,207	818,246	(813,538)	4,708
Debt service:							
Principal retirement	230,000		160,000		390,000	(390,000)	0
Interest and fees	207,608		357,019		564,627	(4,895)	559,732
<b>Total expenditures / expenses</b>	<b>2,206,075</b>	<b>947,539</b>	<b>523,252</b>	<b>404,207</b>	<b>4,081,073</b>	<b>(1,103,912)</b>	<b>2,977,161</b>
Excess (deficiency) of revenues over expenditures	415,893	0	(512,101)	(27,995)	(124,203)	624,711	500,508
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer to (from) other fund	(717,584)	0	717,584	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>(717,584)</b>	<b>0</b>	<b>717,584</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in fund balances / net position</b>	<b>(301,691)</b>	<b>0</b>	<b>205,483</b>	<b>(27,995)</b>	<b>(124,203)</b>	<b>624,711</b>	<b>500,508</b>
<b>Beginning of year</b>	<b>4,004,585</b>	<b>40,000</b>	<b>304,387</b>	<b>6,465,380</b>	<b>10,814,352</b>	<b>(6,604,691)</b>	<b>4,209,661</b>
<b>End of year</b>	<b>\$ 3,702,894</b>	<b>\$ 40,000</b>	<b>\$ 509,870</b>	<b>\$ 6,437,385</b>	<b>\$ 10,690,149</b>	<b>\$ (5,979,980)</b>	<b>\$ 4,710,169</b>

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

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2024

## NOTE 1: REPORTING ENTITY

Montgomery County Utility District No. 3 (the "District") was created by an Act of the 62<sup>nd</sup> 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		\$ 10,690,149
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets, net		7,960,291
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	\$ (13,830,000)	
Deferred charge on refunding (to be amortized as interest expense)	22,431	
Net issuance discounts (to be amortized as interest expense)	<u>23,514</u>	(13,784,055)
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		22,367
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(138,583)</u>
Net position, end of year		<u>\$ 4,710,169</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		\$ (124,203)
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	\$ 656,429	
Depreciation	<u>(428,149)</u>	228,280
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		390,000
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	(3,040)	
Issuance premiums	<u>4,037</u>	997
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		1,536
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>3,898</u>
Change in net position		<u>\$ 500,508</u>

NOTE 4: CAPITAL ASSETS

At December 31, 2024, "Invested in capital assets, net of related debt" was \$(5,823,764). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended December 31, 2024, 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>1,831,479</u>	<u>610,051</u>	<u>1,887,133</u>	<u>554,397</u>
Total capital assets not being depreciated	<u>2,188,134</u>	<u>610,051</u>	<u>1,887,133</u>	<u>911,052</u>
Depreciable capital assets:				
Water system	5,719,504	247,209		5,966,713
Sewer system	8,035,523	1,686,302		9,721,825
Drainage system	<u>911,835</u>			<u>911,835</u>
Total depreciable capital assets	<u>14,666,862</u>	<u>1,933,511</u>	<u>0</u>	<u>16,600,373</u>
Less accumulated depreciation for:				
Water system	(3,858,684)	(210,117)		(4,068,801)
Sewer system	(4,486,947)	(214,421)		(4,701,368)
Drainage system	<u>(777,354)</u>	<u>(3,611)</u>		<u>(780,965)</u>
Total accumulated depreciation	<u>(9,122,985)</u>	<u>(428,149)</u>	<u>0</u>	<u>(9,551,134)</u>
Total depreciable capital assets, net	<u>5,543,877</u>	<u>1,505,362</u>	<u>0</u>	<u>7,049,239</u>
Total capital assets, net	<u>\$ 7,732,011</u>	<u>\$ 2,115,413</u>	<u>\$ 1,887,133</u>	<u>\$ 7,960,291</u>
Changes to capital assets:				
Capital outlay		\$ 656,429	\$	
Assets transferred to depreciable assets		1,887,133	1,887,133	
Less depreciation expense for the fiscal year		<u>(428,149)</u>		
Net increases / decreases to capital assets		<u>\$ 2,115,413</u>	<u>\$ 1,887,133</u>	

## NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the year ended December 31, 2024, 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	\$ 10,155,000	\$	\$ 160,000	\$ 9,995,000	\$ 310,000
Less deferred amounts:					
Issuance (discount), net of premium	(19,477)		4,037	(23,514)	6,531
For refunding charges	(25,471)		(3,040)	(22,431)	(2,844)
Revenue bonds payable	<u>4,065,000</u>		<u>230,000</u>	<u>3,835,000</u>	<u>240,000</u>
Total bonds payable	<u>14,175,052</u>	<u>0</u>	<u>390,997</u>	<u>13,784,055</u>	<u>553,687</u>
Total long-term liabilities	<u>\$ 14,175,052</u>	<u>\$ 0</u>	<u>\$ 390,997</u>	<u>\$ 13,784,055</u>	<u>\$ 553,687</u>
Bonds voted			\$	28,935,000	
Bonds approved for sale and sold				18,010,000	
Bonds voted and not issued				10,925,000	
Refunding bonds voted				11,000,000	
Bonds approved for sale and sold				50,000	
Bonds voted and not issued				10,950,000	



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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, 2024, were as follows:

	<u>Refunding Series 2021</u>	<u>Series 2023</u>
Amounts outstanding, December 31, 2024	\$3,160,000	\$6,835,000
Interest rates	2.00% to 3.00%	4.00% to 5.00%
Maturity dates, serially beginning/ending	April 1, 2025/2039	April 1, 2025/2050
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates	April 1, 2029*	April 1, 2027*

\*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, 2024, 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>
2025	\$ 310,000	\$ 345,968	\$ 655,968
2026	315,000	333,594	648,594
2027	340,000	320,769	660,769
2028	365,000	307,819	672,819
2029	365,000	296,069	661,069
2030 - 2034	2,000,000	1,309,244	3,309,244
2035 - 2039	2,415,000	979,509	3,394,509
2040 - 2044	1,525,000	639,875	2,164,875
2045 - 2049	1,925,000	295,609	2,220,609
2050	<u>435,000</u>	<u>8,972</u>	<u>443,972</u>
	<u>\$ 9,995,000</u>	<u>\$ 4,837,428</u>	<u>\$ 14,832,428</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, 2024, were as follows:

	<u>Series 2011</u>
Amounts outstanding, December 31, 2024	\$3,835,000
Interest rates	4.89% to 5.44%
Maturity dates, serially beginning/ending	April 1, 2025/2036
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, 2024, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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 - 2034	1,700,000	456,162	2,156,162
2035 - 2036	<u>800,000</u>	<u>44,064</u>	<u>844,064</u>
	<u>\$ 3,835,000</u>	<u>\$ 1,350,982</u>	<u>\$ 5,185,982</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, 2024, the Reserve Requirement was fully funded in the amount of \$436,346.

Developer Construction Commitments and Liabilities

At December 31, 2024, 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 16, 2024, the District levied the following ad valorem taxes for the 2024 tax year and the 2025 fiscal year on the adjusted taxable valuation of \$419,170,852:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.0400	\$ 167,753
Maintenance	<u>0.0828</u>	<u>347,250</u>
	<u>\$ 0.1228</u>	<u>\$ 515,003</u>

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

2024 tax year total property tax levy	\$ 515,003
2024 tax year total property tax levy deferred to 2025 fiscal year	(515,003)
2023 tax year total property tax levy reported in 2024 fiscal year	321,174
Appraisal district adjustments to prior year taxes	<u>(2,289)</u>
Statement of Activities property tax revenues	<u>\$ 318,885</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 \$9,122,855.

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

General Fund

For payment of debt principal and interest

Cash	\$ <u>436,346</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>804,089</u>
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Capital Projects Fund

For construction of capital assets:

Cash	\$ 9,645
Temporary investments	<u>6,431,112</u>
	<u>\$ 6,440,757</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, 2024, the District had physical damage and boiler and machinery coverage of \$23,725,000, contractor's equipment coverage of \$50,000, 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, 2024, 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 and capital expenditures was \$323,628 and \$72,043, respectively, for the year ended December 31, 2024.

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 \$290,569 during the year ended December 31, 2024.

### 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, 77<sup>th</sup> 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, 2024, 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, 2024, were \$26,650.

### 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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, 2024, the City paid \$730,309 to the District and \$168,430 to the Special Revenue Fund under these provisions. At this date, the City had advanced \$867,275 to the Special Revenue Fund for the City’s share of the 2025 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>
2025	\$ 473,286
2026	476,056
2027	472,949
2028	474,009
2029	474,158
2030-2034	2,193,101
2035-2036	844,064
	<u>\$ 5,407,623</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, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Property taxes	\$ 320,000	\$ 320,000	\$ 317,349	\$ (2,651)
Water service	526,060	526,060	499,536	(26,524)
Sewer service	559,170	559,170	571,924	12,754
Bulk sewer service	140,000	140,000	290,569	150,569
Penalty	7,000	7,000	8,503	1,503
Tap connection and inspection fees	15,000	15,000	12,600	(2,400)
Reimbursement from the City of Conroe	697,045	697,045	730,309	33,264
Interest on deposits and investments	135,200	135,200	159,462	24,262
Other revenues	46,300	46,300	31,716	(14,584)
<b>TOTAL REVENUES</b>	<b>2,445,775</b>	<b>2,445,775</b>	<b>2,621,968</b>	<b>176,193</b>
<b>EXPENDITURES</b>				
Service operations:				
Purchased sewer services	347,599	347,599	323,628	(23,971)
Professional fees	339,600	339,600	182,654	(156,946)
Contracted services	106,600	106,600	81,176	(25,424)
Utilities	14,000	14,000	12,892	(1,108)
Regulatory water use fees	20,000	20,000	26,650	6,650
Repairs and maintenance	2,480,000	2,480,000	434,992	(2,045,008)
Other operating expenditures	66,960	66,960	56,207	(10,753)
Garbage disposal	283,865	283,865	300,399	16,534
Administrative expenditures	153,793	153,793	92,939	(60,854)
Capital outlay	6,000	6,000	256,930	250,930
Debt service:				
Principal retirement	220,000	220,000	230,000	10,000
Interest and fees	218,105	218,105	207,608	(10,497)
<b>TOTAL EXPENDITURES</b>	<b>4,256,522</b>	<b>4,256,522</b>	<b>2,206,075</b>	<b>(2,050,447)</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(1,810,747)</b>	<b>(1,810,747)</b>	<b>415,893</b>	<b>2,226,640</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer (to) from other fund	0	0	(717,584)	(717,584)
<b>TOTAL OTHER FINANCIAL SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>(717,584)</b>	<b>(717,584)</b>
<b>EXCESS SOURCES (USES)</b>	<b>(1,810,747)</b>	<b>(1,810,747)</b>	<b>(301,691)</b>	<b>1,509,056</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>4,004,585</b>	<b>4,004,585</b>	<b>4,004,585</b>	<b>0</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 2,193,838</b>	<b>\$ 2,193,838</b>	<b>\$ 3,702,894</b>	<b>\$ 1,509,056</b>

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, 2024

	<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	\$ 3,067,848	\$ 3,067,848	\$ 395,671	\$ (2,672,177)
Montgomery County Utility District No. 4	3,056,364	3,056,364	365,483	(2,690,881)
City of Conroe	1,969,738	1,969,738	168,430	(1,801,308)
Interest on deposits	<u>0</u>	<u>0</u>	<u>17,955</u>	<u>17,955</u>
TOTAL REVENUES	<u>8,093,950</u>	<u>8,093,950</u>	<u>947,539</u>	<u>(7,146,411)</u>
EXPENDITURES				
Service operations:				
Professional fees	30,250	30,250	24,138	(6,112)
Contracted services	84,000	84,000	83,400	(600)
Utilities	100,000	100,000	95,841	(4,159)
Repairs and maintenance	210,000	210,000	264,797	54,797
Other operating expenditures	230,000	230,000	275,061	45,061
Administrative expenditures	39,700	39,700	47,193	7,493
Capital outlay	<u>7,400,000</u>	<u>7,400,000</u>	<u>157,109</u>	<u>(7,242,891)</u>
TOTAL EXPENDITURES	<u>8,093,950</u>	<u>8,093,950</u>	<u>947,539</u>	<u>(7,146,411)</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, 2024

(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. 3  
SCHEDULE OF SERVICES AND RATES  
DECEMBER 31, 2024

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

- |  |  |  |
|--|--|--|
| <input checked="" type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water                 | <input checked="" type="checkbox"/> 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, 2024

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"	1,252	1,245	1.0	1,245
1"	23	22	2.5	55
1-1/2"	5	5	5.0	25
2"	30	30	8.0	240
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>1,313</u>	<u>1,305</u>		<u>1,655</u>
Total Wastewater	<u>1,297</u>	<u>1,289</u>	1.0	<u>1,289</u>

\*Single family equivalents

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

Gallons pumped into system (unaudited):	315,201	Total of UD 3 and UD 4 interconnected systems
Gallons billed to customers (unaudited):	302,027	Total of UD 3 and UD 4 interconnected systems

Water Accountability Ratio	
(Gallons billed/ gallons pumped):	96%

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, 2024

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT					
Purchased sewer services	\$ 323,628	\$ 0	\$ 0	\$ 0	\$ 323,628
Professional fees:					
Auditing	10,950	4,250			15,200
Legal	54,441		612		55,053
Engineering	115,463	19,888			135,351
Financial advisor	1,800				1,800
	<u>182,654</u>	<u>24,138</u>	<u>612</u>	<u>0</u>	<u>207,404</u>
Contracted services:					
Bookkeeping	21,600	17,400			39,000
Operation and billing	59,576	66,000			125,576
Tax assessor-collector			612		612
Central appraisal district			3,869		3,869
	<u>81,176</u>	<u>83,400</u>	<u>4,481</u>	<u>0</u>	<u>169,057</u>
Utilities	<u>12,892</u>	<u>95,841</u>	<u>0</u>	<u>0</u>	<u>108,733</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>434,992</u>	<u>264,797</u>	<u>0</u>	<u>0</u>	<u>699,789</u>
Other operating expenditures:					
Sludge hauling		126,427			126,427
Chemicals		99,473			99,473
Laboratory costs	12,879	49,161			62,040
Inspection costs	13,599				13,599
Reconnection and transfer costs	18,063				18,063
TCEQ assessment	5,298				5,298
Other	6,368				6,368
	<u>56,207</u>	<u>275,061</u>	<u>0</u>	<u>0</u>	<u>331,268</u>
Garbage disposal	<u>300,399</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>300,399</u>
Administrative expenditures:					
Director's fees	18,500	7,200			25,700
Office supplies and postage	49,061	554			49,615
Insurance	13,108	31,147			44,255
Permit fees	3,124	7,922			11,046
Other	9,146	370	1,140		10,656
	<u>92,939</u>	<u>47,193</u>	<u>1,140</u>	<u>0</u>	<u>141,272</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3EXPENDITURES (Continued)FOR THE YEAR ENDED DECEMBER 31, 2024

	<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	\$ 252,222	\$ 157,109	\$	\$ 404,207	\$ 813,538
Tap connection costs	4,708				4,708
	<u>256,930</u>	<u>157,109</u>	<u>0</u>	<u>404,207</u>	<u>818,246</u>
DEBT SERVICE					
Principal retirement	<u>230,000</u>	<u>0</u>	<u>160,000</u>	<u>0</u>	<u>390,000</u>
Interest and fees:					
Interest	207,608		354,519		562,127
Paying agent fees			2,500		2,500
	<u>207,608</u>	<u>0</u>	<u>357,019</u>	<u>0</u>	<u>564,627</u>
TOTAL EXPENDITURES	<u>\$ 2,206,075</u>	<u>\$ 947,539</u>	<u>\$ 523,252</u>	<u>\$ 404,207</u>	<u>\$ 4,081,073</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, 2024

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS</b>					
Cash receipts from revenues excluding maintenance taxes	\$ 1,575,591	\$ 920,314	\$ 102,824	\$ 376,212	\$ 2,974,941
Maintenance tax collections			346,841		346,841
Maintenance tax transfers	295,713				295,713
City of Conroe payments	730,309	168,430			898,739
Advance payment for treatment expenditures		867,275			867,275
Reimbursement from other fund	821,075			92,259	913,334
Transfer from other fund			717,584		717,584
Increase in customer and builder deposits	<u>4,490</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>4,490</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<u>3,427,178</u>	<u>1,956,019</u>	<u>1,167,249</u>	<u>468,471</u>	<u>7,018,917</u>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>					
Cash disbursements for:					
Current expenditures	1,571,335	1,163,958	6,233		2,741,526
Capital outlay	626,789	157,109		314,974	1,098,872
Debt service	437,608		517,019		954,627
Other fund	89,233			73,370	162,603
Other participant				12,491	12,491
Reimbursement to other fund	92,259			821,075	913,334
Transfer to other fund	717,584				717,584
Maintenance tax transfers	<u>          </u>	<u>          </u>	<u>295,713</u>	<u>          </u>	<u>295,713</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<u>3,534,808</u>	<u>1,321,067</u>	<u>818,965</u>	<u>1,221,910</u>	<u>6,896,750</u>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	(107,630)	634,952	348,284	(753,439)	122,167
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<u>3,645,216</u>	<u>2,157,191</u>	<u>455,805</u>	<u>7,194,196</u>	<u>13,452,408</u>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<u>\$ 3,537,586</u>	<u>\$2,792,143</u>	<u>\$ 804,089</u>	<u>\$ 6,440,757</u>	<u>\$ 13,574,575</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3SCHEDULE OF TEMPORARY INVESTMENTSFOR THE YEAR ENDED DECEMBER 31, 2024

	<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>\$ 2,691,743</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 7955300002	Market	On demand	\$ 437,931	\$ 0
No. 7955300003	Market	On demand	<u>5,993,181</u>	<u>0</u>
			<u>\$ 6,431,112</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 9,122,855</u>	<u>\$ 0</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED DECEMBER 31, 2024

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	\$ 180,070	\$ 1,664
Additions and corrections to prior year taxes	<u>(2,277)</u>	<u>(12)</u>
Adjusted receivable, beginning of year	177,793	1,652
2024 ADJUSTED TAX ROLL	<u>347,250</u>	<u>167,753</u>
Total to be accounted for	525,043	169,405
Tax collections: Current tax year	(189,764)	(91,674)
Prior tax years	<u>(157,077)</u>	
RECEIVABLE, END OF YEAR	<u>\$ 178,202</u>	<u>\$ 77,731</u>
RECEIVABLE, BY TAX YEAR		
2014 and prior	\$ 9,957	\$ 1,652
2015	438	
2016	482	
2017	592	
2018	644	
2019	912	
2020	1,121	
2021	1,451	
2022	2,234	
2023	2,885	
2024	<u>157,486</u>	<u>76,079</u>
RECEIVABLE, END OF YEAR	<u>\$ 178,202</u>	<u>\$ 77,731</u>

Fiscal year 2024 General Fund property tax revenue of \$317,349 under the modified accrual basis of accounting is comprised of prior tax year collections of \$157,077 during fiscal year 2024 and 2023 tax year collections of \$160,272 during fiscal year 2023.

See accompanying independent auditor's report.



MONTGOMERY COUNTY UTILITY DISTRICT NO. 3TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED DECEMBER 31, 2024

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 70,137,633	\$ 70,150,700	\$ 70,592,800	\$ 66,612,190
Improvements	380,657,413	363,699,300	328,385,650	248,548,430
Personal property	12,859,477	10,026,355	9,309,468	8,292,945
Less exemptions	<u>(44,483,671)</u>	<u>(54,671,707)</u>	<u>(47,701,490)</u>	<u>(21,846,726)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 419,170,852</u>	<u>\$ 389,204,648</u>	<u>\$ 360,586,428</u>	<u>\$ 301,606,839</u>
TAX RATES PER \$100 VALUATION***				
Debt service tax rates	\$ 0.04000	\$ 0.00000	\$ 0.00000	\$ 0.00000
Maintenance tax rates*	<u>0.08280</u>	<u>0.08200</u>	<u>0.08600</u>	<u>0.09000</u>
TOTAL TAX RATES PER \$100 VALUATION***	<u>\$ 0.12280</u>	<u>\$ 0.08200</u>	<u>\$ 0.08600</u>	<u>\$ 0.09000</u>
TAX ROLLS	<u>\$ 515,003</u>	<u>\$ 321,176</u>	<u>\$ 313,937</u>	<u>\$ 274,058</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>54.7%**</u>	<u>99.1 %</u>	<u>99.3 %</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, 2024

<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>
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>\$ 3,835,000</u>	<u>\$ 1,350,982</u>	<u>\$ 5,185,982</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)DECEMBER 31, 2024

<u>Series 2021 Tax 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>
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>\$ 3,160,000</u>	<u>\$ 550,097</u>	<u>\$ 3,710,097</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)DECEMBER 31, 2024

Due During Fiscal Years Ending December 31	Series 2023 Tax Bonds		
	Principal Due April 1	Interest Due April 1, October 1	Total
2025	\$ 150,000	\$ 276,225	\$ 426,225
2026	150,000	268,725	418,725
2027	150,000	261,225	411,225
2028	175,000	253,975	428,975
2029	175,000	246,975	421,975
2030	175,000	239,975	414,975
2031	175,000	232,975	407,975
2032	200,000	225,475	425,475
2033	200,000	217,475	417,475
2034	200,000	209,475	409,475
2035	225,000	200,975	425,975
2036	225,000	191,975	416,975
2037	250,000	182,475	432,475
2038	250,000	172,475	422,475
2039	250,000	162,475	412,475
2040	275,000	151,975	426,975
2041	300,000	140,475	440,475
2042	300,000	128,475	428,475
2043	325,000	115,975	440,975
2044	325,000	102,975	427,975
2045	350,000	89,475	439,475
2046	350,000	75,475	425,475
2047	400,000	60,225	460,225
2048	400,000	43,725	443,725
2049	425,000	26,709	451,709
2050	435,000	8,972	443,972
TOTALS	<u>\$ 6,835,000</u>	<u>\$ 4,287,331</u>	<u>\$ 11,122,331</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2024

<u>Annual Requirements for All Series (Revenue and Tax Bonds)</u>			
<u>Due During Fiscal Years Ending December 31</u>	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2025	\$ 550,000	\$ 542,314	\$ 1,092,314
2026	570,000	517,710	1,087,710
2027	605,000	491,778	1,096,778
2028	645,000	464,887	1,109,887
2029	660,000	438,286	1,098,286
2030	690,000	411,640	1,101,640
2031	710,000	383,852	1,093,852
2032	745,000	354,530	1,099,530
2033	755,000	323,745	1,078,745
2034	800,000	291,639	1,091,639
2035	835,000	257,881	1,092,881
2036	875,000	222,370	1,097,370
2037	485,000	196,672	681,672
2038	510,000	181,250	691,250
2039	510,000	165,400	675,400
2040	275,000	151,975	426,975
2041	300,000	140,475	440,475
2042	300,000	128,475	428,475
2043	325,000	115,975	440,975
2044	325,000	102,975	427,975
2045	350,000	89,475	439,475
2046	350,000	75,475	425,475
2047	400,000	60,225	460,225
2048	400,000	43,725	443,725
2049	425,000	26,709	451,709
2050	435,000	8,972	443,972
TOTALS	<u>\$ 13,830,000</u>	<u>\$ 6,188,410</u>	<u>\$ 20,018,410</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, 2024

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Totals</u>
Bond Series:	2011	2021	2023	
Interest Rate:	4.89% to 5.44%	2.00% to 3.00%	4.00% to 5.00%	
Dates Interest Payable:	April 1, October 1	April 1, October 1	April 1, October 1	
Maturity Dates:	April 1, 2025/2036	April 1, 2025/2039	April 1, 2025/2050	
Bonds Outstanding at Beginning of Current Year	\$ 4,065,000	\$ 3,320,000	\$ 6,835,000	\$ 14,220,000
Less Retirements	<u>(230,000)</u>	<u>(160,000)</u>	<u>                    </u>	<u>(390,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 3,835,000</u>	<u>\$ 3,160,000</u>	<u>\$ 6,835,000</u>	<u>\$ 13,830,000</u>
Current Year Interest Paid	<u>\$ 207,608</u>	<u>\$ 74,544</u>	<u>\$ 279,975</u>	<u>\$ 562,127</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)
- (3) Montgomery County Utility District No. 3 Unlimited Tax Bonds, Series 2023 (\$6,835,000)

Paying Agent/Registrar

- (1) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- (2) (3) 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:	18010000		50,000
Remaining to be Issued:	10,925,000		10,950,000
Net Debt Service Fund deposits and investments balances as of December 31, 2024:			\$ 509,870
Average annual debt service payment for remaining term of all tax debt:			769,939

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				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 317,349	\$ 305,820	\$ 272,407	\$ 258,298	\$ 238,262	12.1 %	12.3 %	11.8 %	12.2 %	11.0 %
Water service	499,536	476,299	454,848	395,042	419,074	19.1	19.1	19.8	18.6	19.3
Sewer service	571,924	568,817	559,714	544,909	541,971	21.8	22.8	24.3	25.7	24.9
Bulk sewer service	290,569	250,667	212,650	166,326	135,999	11.1	10.1	9.2	7.9	6.3
Penalty	8,503	7,115	6,380	6,837	7,031	0.3	0.3	0.3	0.3	0.3
Tap connection and inspection fees	12,600	0	41,280	46,487	112,523	0.5	0.0	1.8	2.2	5.2
Reimbursement from the City of Conroe	730,309	717,450	687,000	677,477	666,427	27.8	28.8	30.0	32.0	30.6
Interest on deposits and investments	159,462	139,326	52,731	1,187	17,216	6.1	5.6	2.3	0.1	0.8
Other revenues	31,716	25,426	12,533	21,971	34,669	1.2	1.0	0.5	1.0	1.6
TOTAL REVENUES	<u>2,621,968</u>	<u>2,490,920</u>	<u>2,299,543</u>	<u>2,118,534</u>	<u>2,173,172</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	323,628	263,247	301,321	294,033	224,388	12.3	10.6	13.1	13.9	10.3
Professional fees	182,654	212,093	238,342	243,114	209,643	7.0	8.5	10.4	11.5	9.6
Contracted services	81,176	115,400	77,887	74,226	74,908	3.1	4.6	3.4	3.5	3.4
Utilities	12,892	12,838	13,278	16,638	11,715	0.5	0.5	0.6	0.8	0.5
Regulatory water use fees	26,650	26,650	26,650	26,697	24,204	1.0	1.1	1.2	1.3	1.1
Repairs, maintenance and other operating exp.	491,199	412,792	514,664	449,411	440,482	18.7	16.5	22.3	21.1	20.4
Garbage disposal	300,399	285,310	263,406	238,251	215,325	11.5	11.5	11.5	11.2	9.9
Administrative expenditures	92,939	163,549	108,987	109,654	90,793	3.5	6.6	4.7	5.2	4.2
Capital outlay	256,930	77,920	13,947	412,301	122,374	9.8	3.1	0.6	20.7	5.6
Debt service:										
Principal retirement	230,000	220,000	210,000	200,000	190,000	8.8	8.8	9.1	9.4	8.7
Interest and fees	207,608	218,105	229,424	238,478	246,751	7.9	8.8	10	10.1	11.5
TOTAL EXPENDITURES	<u>2,206,075</u>	<u>2,007,904</u>	<u>1,997,906</u>	<u>2,302,803</u>	<u>1,850,583</u>	<u>84.1</u>	<u>80.6</u>	<u>86.9</u>	<u>108.7</u>	<u>85.2</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 415,893</u>	<u>\$ 483,016</u>	<u>\$ 301,637</u>	<u>\$ (184,269)</u>	<u>\$ 322,589</u>	<u>15.9 %</u>	<u>19.4 %</u>	<u>13.1 %</u>	<u>(8.7) %</u>	<u>14.8 %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,305</u>	<u>1,300</u>	<u>1,300</u>	<u>1,289</u>	<u>1,288</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,289</u>	<u>1,283</u>	<u>1,283</u>	<u>1,273</u>	<u>1,274</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				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$	\$	\$ 2	\$ 70	\$	0.0 %	0.0 %	0.0 %	0.8 %	0.0 %
Penalty and interest	2,518	3,699	2,928	3,614	2,219	22.6	15.2	60.9	42.4	97.8
Accrued interest on bonds received at date of sale		11,666	0	4,766	0	0.0	48.0	0.0	55.9	0.0
Interest on deposits and investments	8,633	8,934	1,880	74	50	77.4	36.8	39.1	0.9	2.2
TOTAL REVENUES	11,151	24,299	4,810	8,524	2,269	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Contracted services	4,481	2,879	2,551	2,468	617					
Other expenditures	1,752	1,727	953	1,164	2,435					
Debt service:										
Principal retirement	160,000	160,000	135,000	125,000	125,000					
Interest and fees	357,019	266,494	84,269	106,334	127,850					
TOTAL EXPENDITURES	523,252	431,100	222,773	234,966	255,902	N/A	N/A	N/A	N/A	N/A
EXCESS REVENUES (EXPENDITURES)	\$ (512,101)	\$ (406,801)	\$ (217,963)	\$ (226,442)	\$ (253,633)	N/A %	N/A %	N/A %	N/A %	N/A %
Transfer from other fund	\$ 717,584	\$ 0	\$ 0	\$ 0	\$ 500,000					

See accompanying independent auditor's report.



MONTGOMERY COUNTY UTILITY DISTRICT NO. 3BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSDECEMBER 31, 2024

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: September 5, 2024

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	\$ 6,630	\$ 25	President
Richard Tibbetts c/o Hays Utility North Corporation P.O. Box 1268 Montgomery, Texas 77356	Elected 5/07/22 5/02/26	4,862	27	Vice President
Janis Boulware c/o Hays Utility North Corporation P.O. Box 1268 Montgomery, Texas 77356	Elected 5/04/24- 5/06/28	6,409	991	Secretary
Judy Robert c/o Hays Utility North Corporation P.O. Box 1268 Montgomery, Texas 77356	Elected 5/07/22 5/02/26	3,757	1,431	Assistant Secretary

See accompanying independent auditor's report.

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)DECEMBER 31, 2024CONSULTANTS

<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	\$ 6,455	Attorney
James L. Dougherty, Jr. 12 Greenway Plaza, Suite 1100 Houston, Texas 77046	4/15/13	47,986	Attorney
Linebarger, Goggan, Blair & Sampson, L.L.P. P. O. Drawer 2789 Texas City, Texas 77592-2789	Prior to 12/31/2014	612	Delinquent Tax Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	8/21/23	43,391	Bookkeeper
Hays Utility North Corporation P.O. Box 1268 Montgomery, Texas 77356	1/1/94	1,294,803	Operator
Ward, Getz & Associates, L.L.P. 2500 Tanglewilde, Suite 301 Houston, Texas 77063	6/21/21	211,648	Engineer
Tammy J. McRae Montgomery County TAC 400 N. San Jacinto Conroe, Texas 77301	03/88	612	Tax Assessor- Collector
Montgomery Central Appraisal District P.O. Box 2233 Conroe, Texas 77305	Legislative Action	3,869	Central Appraisal District
The GMS Group, L.L.C. 5075 Westheimer, Suite 1175 Houston, Texas 77056	Prior to 10/1/92	1,800	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.