


East Montgomery County Municipal Utility District No. 5 Montgomery County, Texas

**Independent Auditor's Report and
Financial Statements**

May 31, 2024



East Montgomery County Municipal Utility District No. 5
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May 31, 2024

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Independent Auditor's Report

Board of Directors
East Montgomery County Municipal Utility District No. 5
Montgomery County, Texas

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of East Montgomery County Municipal Utility District No. 5 (the District), as of and for the year ended May 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District, as of May 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the beginning net position in the government-wide financial statements has been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

**Houston, Texas
October 9, 2024**

**East Montgomery County Municipal Utility District No. 5
Management's Discussion and Analysis
May 31, 2024**

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

The District also serves as the Master District for East Montgomery County Municipal Utility District No. 6 (District No. 6), East Montgomery County Municipal Utility District No. 7 (District No. 7) and itself (Internal District), (collectively, "the Participants"), to provide, or cause to be provided, the regional water supply and delivery facilities and the regional waste collection, treatment and disposal facilities, as well as drainage, parks and other services and facilities permitted by law, necessary to serve the Participants.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

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

Fund Financial Statements

Unlike government-wide financial statements, the focus of the 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 Funds

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

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid

within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

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

Proprietary Funds

Proprietary funds, in general, charge customers for the services that are provided. These funds use a long-term financial accounting approach, full accrual basis and provide additional information in the statement of cash flows. The proprietary fund statements provide the same information as the business-type activities portion of the government-wide financial statements, only in more detail.

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

2024 Summary of Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 589,917	\$ 3,910,776	\$ 4,500,693
Capital and lease assets	<u>6,807,629</u>	<u>50,396,811</u>	<u>57,204,440</u>
Total assets	<u>\$ 7,397,546</u>	<u>\$ 54,307,587</u>	<u>\$ 61,705,133</u>
Long-term liabilities	\$ 10,035,037	\$ 55,941,388	\$ 65,976,425
Other liabilities	<u>113,322</u>	<u>647,603</u>	<u>760,925</u>
Total liabilities	<u>10,148,359</u>	<u>56,588,991</u>	<u>66,737,350</u>
Net position:			
Net investment in capital assets	(154,719)	(5,096,927)	(5,251,646)
Restricted	-	2,990,197	2,990,197
Unrestricted	<u>(2,596,094)</u>	<u>(174,674)</u>	<u>(2,770,768)</u>
Total net position	<u>\$ (2,750,813)</u>	<u>\$ (2,281,404)</u>	<u>\$ (5,032,217)</u>

Restated 2023 Summary of Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 15,635	\$ 2,972,934	\$ 2,988,569
Capital and lease assets	-	38,255,777	38,255,777
Total assets	<u>\$ 15,635</u>	<u>\$ 41,228,711</u>	<u>\$ 41,244,346</u>
Long-term liabilities	\$ 45,250	\$ 42,489,283	\$ 42,534,533
Other liabilities	19,059	736,007	755,066
Total liabilities	<u>64,309</u>	<u>43,225,290</u>	<u>43,289,599</u>
Net position:			
Net investment in capital assets	-	(3,958,800)	(3,958,800)
Restricted	-	1,907,260	1,907,260
Unrestricted	(48,674)	54,961	6,287
Total net position	<u>\$ (48,674)</u>	<u>\$ (1,996,579)</u>	<u>\$ (2,045,253)</u>

The net position of the District's governmental activities decreased by \$2,702,139. The majority of the decrease in net position is related to conveyance of capital assets to another governmental entity for maintenance.

The total net position of the District's business-type activities decreased by \$284,825, or about 14%. The majority of the decrease in net position is related to services, depreciation and amortization, and debt service expenses exceeding charges for services revenues.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital and lease assets themselves cannot be used to liquidate these liabilities.

At May 31, 2024, the governmental activities' net investment in capital assets was \$(154,719). This amount was negative because not all expenditures from long-term debt were for the acquisition of capital assets. Within Fort Bend County, the county government assumes the maintenance and other incidents of ownership of most road facilities constructed by the District. Accordingly, these asset are not recorded in the financial statements of the District.

2024 Summary of Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program revenues:			
Charges for services	\$ 1,066,054	\$ 6,241,063	\$ 7,307,117
General revenues:			
Property taxes	8,156	-	8,156
Other revenues	3,899	57,312	61,211
Total revenues	<u>1,078,109</u>	<u>6,298,375</u>	<u>7,376,484</u>

2024 Summary of Changes in Net Position (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Expenses:			
Services	\$ 582,938	\$ 3,006,488	\$ 3,589,426
Depreciation and amortization	154,719	1,268,729	1,423,448
Conveyance of capital assets	3,012,439	-	3,012,439
Debt service and contractual payments	30,152	2,307,983	2,338,135
Total expenses	<u>3,780,248</u>	<u>6,583,200</u>	<u>10,363,448</u>
Change in net position	(2,702,139)	(284,825)	(2,986,964)
Net position, beginning of year	<u>(48,674)</u>	<u>(1,996,579)</u>	<u>(2,045,253)</u>
Net position, end of year	<u><u>\$ (2,750,813)</u></u>	<u><u>\$ (2,281,404)</u></u>	<u><u>\$ (5,032,217)</u></u>

Restated 2023 Summary of Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program revenues:			
Charges for services	\$ -	\$ 4,230,223	\$ 4,230,223
General revenues:			
Property taxes	8,249	-	8,249
Other revenues	87	22,288	22,375
Total revenues	<u>8,336</u>	<u>4,252,511</u>	<u>4,260,847</u>
Expenses:			
Services	57,010	2,230,352	2,287,362
Depreciation and amortization	-	848,361	848,361
Debt service and contractual payments	-	1,048,830	1,048,830
Total expenses	<u>57,010</u>	<u>4,127,543</u>	<u>4,184,553</u>
Change in net position	(48,674)	124,968	76,294
Net position, beginning of year	<u>-</u>	<u>(2,121,547)</u>	<u>(2,121,547)</u>
Net position, end of year	<u><u>\$ (48,674)</u></u>	<u><u>\$ (1,996,579)</u></u>	<u><u>\$ (2,045,253)</u></u>

Financial Analysis of the District's Funds

Governmental Activities

The general fund's fund balance increased by \$479,976. This increase was primarily related to tap connection and inspection fees and capital recovery fee revenues exceeding service operations and debt service expenditures.

Business-Type Activities

The enterprise fund's net position decreased by \$284,825 due to operating, depreciation and amortization and interest expenses and debt issuance costs exceeding charges for services revenues.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to professional fees expenditures and developer advances received being less than anticipated. In addition, tap connection and inspection fees revenues and related expenditures, capital recovery fees revenue and repairs and maintenance expenditures were not budgeted. The fund balance as of May 31, 2024, was expected to be \$(3,424) and the actual end-of-year fund balance was \$476,552.

Capital and Lease Assets and Related Debt

Capital and Lease Assets

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

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

	<u>2024</u>	<u>Restated 2023</u>
Governmental Activities		
Water facilities	\$ 1,213,754	\$ -
Wastewater facilities	2,115,486	-
Drainage facilities	3,478,389	-
	<u>6,807,629</u>	<u>-</u>
Total capital assets	<u>\$ 6,807,629</u>	<u>\$ -</u>
	<u>2024</u>	<u>Restated 2023</u>
Business-Type Activities		
Land and improvements	\$ 26,707,993	\$ 17,705,355
Construction in progress	153,498	140,502
Water facilities	9,485,606	8,876,706
Wastewater facilities	6,314,944	4,429,142
Drainage facilities	5,856,817	5,586,332
Lease assets	1,877,953	1,517,740
	<u>50,396,811</u>	<u>38,255,777</u>
Total capital and lease assets	<u>\$ 50,396,811</u>	<u>\$ 38,255,777</u>

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

Governmental Activities

Water, sewer and drainage facilities to serve Tavola West,
Sections 1-4 and Tavola West Reserves, Section 2

\$ 6,962,348

Business-Type Activities

Land additions and improvements, including Tavola North detention pond, Peach Creek channel improvements, Phases 2 & 3, Tavola West detention, Phase 1 and Tavola West clearing and grubbing, Phase 3	\$ 9,002,638
Construction in progress related to wastewater treatment plant No.1, Phase 4	12,996
Water and drainage facilities to serve Aragoste Parkway, Phase 2	85,878
Roman Forest waterline	3,339
Water plant No. 2 water well	23,344
Tavola Tropical Storm Imelda recovery project	343,255
Peach Creek Channel, Phase 3 drainage improvements	26,795
US 59 water line crossing	841,346
Wastewater treatment plant No. 1, Phase 2	88,973
Wastewater treatment plant No. 2 and lift station No. 2, Phase 1	2,002,928
Wastewater treatment plant No. 2 lease equipment	<u>978,271</u>
Total additions to capital and lease assets	<u>\$ 13,409,763</u>

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2024, are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Long-term liabilities, beginning of year restated	\$ 45,250	\$ 42,489,283	\$ 42,534,533
Increases in long-term debt	9,989,787	24,573,793	34,563,580
Decreases in long-term debt	<u>-</u>	<u>(11,121,688)</u>	<u>(11,121,688)</u>
Long-term liabilities, end of year	<u>\$ 10,035,037</u>	<u>\$ 55,941,388</u>	<u>\$ 65,976,425</u>

At May 31, 2024, the Master District had \$183,255,000 of contract revenue bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the regional facilities constructed to serve all participants. The Internal District had \$239,704,262 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the Internal District, \$122,029,430 of unlimited tax bonds authorized, but unissued, for the purpose of constructing road and paving facilities within the Internal District, and \$24,600,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing park and recreational facilities within the Internal District.

The District’s bonds carry an underlying rating of “Baa2” from Moody’s Investors Service, Inc. The Series 2023 Contract Revenue Bonds carry a “AA” rating from Standard & Poor’s by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Contingencies

The developer of the District is constructing regional facilities within the boundaries of the Master District's service area, as well as facilities within the boundaries of the Internal District. The Master District and Internal District have agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future contract revenue bonds and tax bonds, respectively, to the extent approved by the Commission, if applicable. The District's engineer has stated that current construction contract amounts are approximately \$14,969,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Events

On September 25, 2024, the District awarded the sale of its Unlimited Tax Contract Revenue Bonds, Series 2024, in the amount of \$16,675,000 at a net effective interest rate of approximately 4.097%. The bonds were sold to reimburse the developer for construction projects within the Master District.

On September 25, 2024, the District awarded the sale of its Unlimited Tax Bonds, Series 2024, in the amount of \$4,000,000 at a net effective interest rate of approximately 4.224%. The bonds were sold to reimburse the developer for construction projects within the Internal District.

East Montgomery County Municipal Utility District No. 5
Statement of Net Position
May 31, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 607,823	\$ 2,130,101	\$ 2,737,924
Receivables:			
Property taxes receivable	43	-	43
Service accounts receivable	56,604	-	56,604
Due from other districts	-	1,701,934	1,701,934
Due from others	-	3,188	3,188
Internal balances	(74,553)	74,553	-
Prepaid expenses	-	1,000	1,000
	<u>589,917</u>	<u>3,910,776</u>	<u>4,500,693</u>
Total current assets			
Noncurrent Assets			
Capital and lease assets (net of accumulated depreciation and amortization):			
Land and improvements	-	26,707,993	26,707,993
Construction in progress	-	153,498	153,498
Infrastructure	6,807,629	21,657,367	28,464,996
Lease assets	-	1,877,953	1,877,953
	<u>6,807,629</u>	<u>50,396,811</u>	<u>57,204,440</u>
Total noncurrent assets			
	<u>\$ 7,397,546</u>	<u>\$ 54,307,587</u>	<u>\$ 61,705,133</u>
Total assets			

East Montgomery County Municipal Utility District No. 5
Statement of Net Position
May 31, 2024

(Continued)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ 82,465	\$ 325,557	\$ 408,022
Customer deposits	18,325	-	18,325
Due to others	247	-	247
Unearned tap connection fees	12,285	-	12,285
Long-term liabilities, due within one year	-	1,140,351	1,140,351
Total current liabilities	<u>113,322</u>	<u>1,465,908</u>	<u>1,579,230</u>
Noncurrent Liabilities			
Operating deposits	-	322,046	322,046
Long-term liabilities, due after one year	<u>10,035,037</u>	<u>54,801,037</u>	<u>64,836,074</u>
Total noncurrent liabilities	<u>10,035,037</u>	<u>55,123,083</u>	<u>65,158,120</u>
Total liabilities	<u>10,148,359</u>	<u>56,588,991</u>	<u>66,737,350</u>
Net Position			
Net investment in capital assets	(154,719)	(5,096,927)	(5,251,646)
Restricted for debt service	-	2,960,347	2,960,347
Restricted for capital projects	-	29,850	29,850
Unrestricted	<u>(2,596,094)</u>	<u>(174,674)</u>	<u>(2,770,768)</u>
Total net position	<u>(2,750,813)</u>	<u>(2,281,404)</u>	<u>(5,032,217)</u>
Total liabilities and net position	<u>\$ 7,397,546</u>	<u>\$ 54,307,587</u>	<u>\$ 61,705,133</u>

East Montgomery County Municipal Utility District No. 5
Statement of Activities
Year Ended May 31, 2024

	Program Revenue		Net Revenue (Expense) and Changes in Net Position			
			Primary Government			
	Expenses	Charges for Services	Charges for Regional Services	Governmental Activities	Business- type Activities	Total
Government/Programs						
Primary Government						
Governmental activities:						
Service operations	\$ 582,938	\$ 1,066,054	\$ -	\$ 483,116	\$ -	\$ 483,116
Depreciation	154,719	-	-	(154,719)	-	(154,719)
Conveyance of capital assets	3,012,439	-	-	(3,012,439)	-	(3,012,439)
Contractual obligation	2,652	-	-	(2,652)	-	(2,652)
Debt issuance costs	27,500	-	-	(27,500)	-	(27,500)
Total governmental activities	<u>3,780,248</u>	<u>1,066,054</u>	<u>-</u>	<u>(2,714,194)</u>	<u>-</u>	<u>(2,714,194)</u>
Business-type activities:						
Regional service operations	3,006,488	-	6,241,063	-	3,234,575	3,234,575
Depreciation and amortization	1,268,729	-	-	-	(1,268,729)	(1,268,729)
Interest expense on long-term liabilities	1,583,288	-	-	-	(1,583,288)	(1,583,288)
Debt issuance costs on long-term liabilities	724,695	-	-	-	(724,695)	(724,695)
Total business-type activities	<u>6,583,200</u>	<u>-</u>	<u>6,241,063</u>	<u>-</u>	<u>(342,137)</u>	<u>(342,137)</u>
Total government/programs primary government	<u>\$ 10,363,448</u>	<u>\$ 1,066,054</u>	<u>\$ 6,241,063</u>	<u>(2,714,194)</u>	<u>(342,137)</u>	<u>(3,056,331)</u>
General Revenues and Transfers						
Property taxes				8,156	-	8,156
Penalty and interest				1,044	-	1,044
Investment income				2,395	57,312	59,707
Other income				460	-	460
Total general revenues and transfers				<u>12,055</u>	<u>57,312</u>	<u>69,367</u>
Change in Net Position				<u>(2,702,139)</u>	<u>(284,825)</u>	<u>(2,986,964)</u>
Net Position						
Beginning of year, as previously reported				(58,922)	(2,881,543)	(2,940,465)
Adjustment applicable to prior years (Note 14)				10,248	884,964	895,212
Beginning of year, as restated				<u>(48,674)</u>	<u>(1,996,579)</u>	<u>(2,045,253)</u>
End of year				<u>\$ (2,750,813)</u>	<u>\$ (2,281,404)</u>	<u>\$ (5,032,217)</u>

East Montgomery County Municipal Utility District No. 5
Balance Sheet – Governmental Fund
May 31, 2024

	General Fund
Assets	
Cash and cash equivalents	\$ 607,823
Property taxes receivable	43
Service accounts receivable	56,604
Internal balances	<u>(74,553)</u>
Total assets	<u><u>\$ 589,917</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 82,465
Customer deposits	18,325
Due to others	247
Unearned tap connection fees	<u>12,285</u>
Total liabilities	113,322
Deferred Inflows of Resources	
Deferred property tax revenues	43
Fund Balance	
Unassigned	<u>476,552</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 589,917</u></u>

**East Montgomery County Municipal Utility District No. 5
Statement of Revenues, Expenditures and Changes in
Fund Balance – Governmental Fund
Year Ended May 31, 2024**

	General Fund
Revenues	
Property taxes	\$ 8,113
Water service	12,828
Sewer service	38,062
Regional water fee	12,324
Security service	9,997
Penalty and interest	1,044
Tap connection and inspection fees	554,782
Capital recovery fee	438,061
Investment income	2,395
Other income	460
	<hr/>
Total revenues	1,078,066
	<hr/>
Expenditures	
Service operations:	
Professional fees	12,497
Contracted services	11,118
Repairs and maintenance	200,677
Tap connections	315,465
Other expenditures	43,181
Debt service:	
Contractual obligation	2,652
Debt issuance costs	27,500
	<hr/>
Total expenditures	613,090
	<hr/>
Excess of Revenues Over Expenditures	464,976
Other Financing Sources	
Developer advances received	15,000
	<hr/>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	479,976
Fund Balance (Deficit), Beginning of Year	<hr/> (3,424)
Fund Balance, End of Year	<hr/> <hr/> \$ 476,552

East Montgomery County Municipal Utility District No. 5
Statement of Net Position – Proprietary Fund
May 31, 2024

	Business-Type Activities - Enterprise Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 2,130,101
Due from other districts	1,701,934
Due from others	3,188
Internal balances	74,553
Prepaid expenses	1,000
	<hr/>
Total current assets	3,910,776
Noncurrent Assets	
Capital and lease assets, net of accumulated depreciation and amortization	50,396,811
	<hr/>
Total assets	<u>\$ 54,307,587</u>
Liabilities and Net Position	
Current Liabilities	
Accounts payable	\$ 325,557
Long-term liabilities, current portion	1,140,351
	<hr/>
Total current liabilities	1,465,908
Noncurrent Liabilities	
Operating deposits	322,046
Long-term liabilities, net of unamortized discount	54,801,037
	<hr/>
Total noncurrent liabilities	55,123,083
	<hr/>
Total liabilities	56,588,991
Net Position	
Net investment in capital assets	(5,096,927)
Restricted:	
Debt service fund	2,960,347
Capital projects fund	29,850
Unrestricted	(174,674)
	<hr/>
Total net position	(2,281,404)
	<hr/>
Total liabilities and net position	<u>\$ 54,307,587</u>

East Montgomery County Municipal Utility District No. 5
Statement of Revenues, Expenses and Changes
in Net Position – Proprietary Fund
Year Ended May 31, 2024

	Business-Type Activities - Enterprise Fund
Operating Revenues	
Charges for services	\$ 6,241,063
Operating Expenses	
Purchased services	97,635
Regional water authority	955,174
Professional fees	102,628
Contracted services	129,680
Utilities	201,642
Repairs and maintenance	1,473,589
Other expenditures	46,140
Depreciation and amortization	1,268,729
Total operating expenses	<u>4,275,217</u>
Operating Income	<u>1,965,846</u>
Nonoperating Revenues (Expenses)	
Investment income	57,312
Interest expense	(1,583,288)
Debt issuance costs	(724,695)
Total nonoperating expenses	<u>(2,250,671)</u>
Change in Net Position	<u>(284,825)</u>
Net Position	
Beginning of year, as previously reported	(2,881,543)
Adjustment applicable to prior years (Note 14)	884,964
Beginning of year, as restated	<u>(1,996,579)</u>
End of year	<u>\$ (2,281,404)</u>

East Montgomery County Municipal Utility District No. 5
Statement of Cash Flows – Proprietary Fund
Year Ended May 31, 2024

	Business-Type Activities - Enterprise Fund
Operating Activities	
Receipts from contract payments	\$ 2,800,999
Payments for service operations	(3,047,785)
Receipts for service operations	3,151,357
Other operating receipts	32,030
	<hr/>
Net cash provided by operating activities	2,936,601
Capital and Related Financing Activities	
Proceeds from the issuance of contract revenue bonds	12,951,530
Principal payments on long-term liabilities	(1,098,969)
Payments to developer	(10,044,601)
Interest and agent fees paid on long-term liabilities	(1,573,706)
Debt issuance costs	(724,695)
Purchase of capital assets	(1,909,227)
	<hr/>
Net cash used in capital and related financing activities	(2,399,668)
Investing Activity	
Investment income	57,312
	<hr/>
Net Increase in Cash and Cash Equivalents	594,245
Cash and Cash Equivalents, Beginning of Year	1,535,856
	<hr/>
Cash and Cash Equivalents, End of Year	\$ 2,130,101
	<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 1,965,846
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	1,268,729
Change in assets and liabilities:	
Receivables, net	(368,197)
Prepaid expenses and other assets	24,600
Accounts payable	(65,897)
Other liabilities	111,520
	<hr/>
Net cash provided by operating activities	\$ 2,936,601
	<hr/> <hr/>
Noncash Activities	
Assets acquired by debt incurred to developer	\$ 10,656,292
Lease asset obtained through lease liability	965,971

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

East Montgomery County Municipal Utility District No. 5 (the District) was created by House Bill Number 3546 (the Bill) of the 79th Legislature of the State of Texas, effective September 1, 2005, in accordance with the provisions of Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, parks and recreational and road and paving facilities. The District also serves as the "Master District" as discussed in Note 5 to the financial statements.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through intergovernmental revenues and reimbursements from participants. Business-type activities are financed by fees charged to external parties for goods and services.

In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as investment earnings, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the District are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or if it meets certain other criteria.

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

Governmental Fund

The District presents the following major governmental fund:

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

Fund Balance – Governmental Fund

The fund balance for the District’s governmental fund can be displayed in up to five components:

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

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

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

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

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

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Proprietary Fund

Enterprise Fund – The enterprise fund accounts for the operations of the regional facilities. These facilities provide water supply and delivery, wastewater collection, treatment and disposal facilities to participants.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

In the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item (B) as shown below.

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used as appropriate:

- (A) All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- (B) The proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting and Presentation

All governmental funds use the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (*i.e.*, when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

All primary sources of the District's revenue are susceptible to accrual. Examples of revenue accrued are taxes, fees for services, charges to participants based on cost-reimbursement contracts and earnings from investments.

Deferred inflows of resources is recorded when the potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received before earned.

Expenditures and liabilities are recognized when the related fund obligations are incurred as a result of receipt of goods and services.

All proprietary funds use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services, along with penalties and fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deferred Outflows and Inflows of Resources

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

Pension Costs

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

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

Use of Estimates

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

Cash and Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents.

Investments and Investment Income

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

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

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2024, include collections during the current period or within 60 days of year-end related to the 2023 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2024, the 2023 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets of proprietary funds are reported in both the government-wide and fund financial statements. All other capital assets of the governmental unit are general capital assets. They are not reported as assets in governmental funds, but are reported in the governmental activities column in the government-wide statement of net position.

Capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation expense is reported in the government-wide statement of activities, and the proprietary fund statement of revenues, expenses and changes in net position.

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

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

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

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

Lease Assets

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

Debt Issuance Costs

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

Long-Term Obligations

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

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

Net Position/Fund Balance

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

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

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balance in the governmental fund balance sheet are different because of the following items.

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 6,807,629
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	43
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(10,035,037)</u>
Adjustment to fund balance to arrive at net position.	<u><u>\$ (3,227,365)</u></u>

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

Change in fund balance.	\$ 479,976
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense and conveyance of capital assets in the current year.	(3,167,158)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	(15,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	<u>43</u>
Change in net position of governmental activities.	<u><u>\$ (2,702,139)</u></u>

Note 2. Deposits, Investments and Investment Income

Deposits

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

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

At May 31, 2024, none of the District’s bank balances were exposed to custodial credit risk.

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

Investments

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

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

The District invests in money market treasury funds. These investments are reported at net asset value and may be redeemed at any time.

At May 31, 2024, the District had the following investments and maturities:

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Government money market funds	\$ 1,561,297	\$ 1,561,297	\$ -	\$ -	\$ -

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The government money market funds are presented as investments with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2024, the District's investments in government money market funds were rated "AAAm" by Standard & Poor's.

Concentration of Credit Risk. The District places no limit on the amount that may be invested in any one issuer. At May 31, 2024, the District's investment in government money market funds constituted 100% of its total investments.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the statement of net position at May 31, 2024, as follows:

Carrying value:	
Deposits	\$ 1,176,627
Investments	<u>1,561,297</u>
Total	<u>\$ 2,737,924</u>

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

Included in the following captions:

Governmental activities:	
Cash and cash equivalents	\$ 607,823
Business-type activities:	
Cash and cash equivalents	<u>2,130,101</u>
 Total	 <u><u>\$ 2,737,924</u></u>

Investment Income

Investment income of \$2,395 in governmental activities and \$57,312 in business-type activities for the year ended May 31, 2024, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of May 31, 2024:

- Government money market funds of \$1,561,297 are valued at fair value per share of the fund's underlying portfolio.

Note 3. Capital and Lease Assets

A summary of changes in capital and lease assets for the year ended May 31, 2024, is presented below:

Governmental Activities	Balances, Beginning of Year Restated	Additions	Balances, End of Year
Capital assets, depreciable:			
Water production and distribution facilities	\$ -	\$ 1,241,340	\$ 1,241,340
Wastewater collection and treatment facilities	-	2,163,565	2,163,565
Drainage facilities	-	<u>3,557,443</u>	<u>3,557,443</u>
Total capital assets, depreciable	<u>-</u>	<u>6,962,348</u>	<u>6,962,348</u>
Less accumulated depreciation:			
Water production and distribution facilities	-	(27,586)	(27,586)
Wastewater collection and treatment facilities	-	(48,079)	(48,079)
Drainage facilities	<u>-</u>	<u>(79,054)</u>	<u>(79,054)</u>
Total accumulated depreciation	<u>-</u>	<u>(154,719)</u>	<u>(154,719)</u>
Total governmental activities, net	<u><u>\$ -</u></u>	<u><u>\$ 6,807,629</u></u>	<u><u>\$ 6,807,629</u></u>

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

Business-Type Activities	Balances, Beginning of Year Restated	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 17,705,355	\$ 9,002,638	\$ 26,707,993
Construction in progress	140,502	12,996	153,498
Total capital assets, non-depreciable	17,845,857	9,015,634	26,861,491
Capital and lease assets, depreciable and amortizable:			
Water production and distribution facilities	10,074,172	910,956	10,985,128
Wastewater collection and treatment facilities	5,216,925	2,091,902	7,308,827
Drainage facilities	5,965,673	413,000	6,378,673
Lease assets - equipment	1,817,345	978,271	2,795,616
Total capital and lease assets, depreciable and amortizable	23,074,115	4,394,129	27,468,244
Less accumulated depreciation and amortization:			
Water production and distribution facilities	(1,197,466)	(302,056)	(1,499,522)
Wastewater collection and treatment facilities	(787,783)	(206,100)	(993,883)
Drainage facilities	(379,341)	(142,515)	(521,856)
Lease assets - equipment	(299,605)	(618,058)	(917,663)
Total accumulated depreciation and amortization	(2,664,195)	(1,268,729)	(3,932,924)
Total business-type activities, net	\$ 38,255,777	\$ 12,141,034	\$ 50,396,811

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended May 31, 2024, were as follows:

Governmental Activities	Balances, Beginning of Year Restated	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Due to developer, construction	\$ -	\$ 9,974,787	\$ -	\$ 9,974,787	\$ -
Due to developer, advances	45,250	15,000	-	60,250	-
Total governmental activities long-term liabilities	\$ 45,250	\$ 9,989,787	\$ -	\$ 10,035,037	\$ -

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

Business-Type Activities	Balances, Beginning of Year Restated	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
Contract revenue bonds	\$ 26,025,000	\$ 13,350,000	\$ 865,000	\$ 38,510,000	\$ 890,000
Less discounts on bonds	621,143	398,470	21,881	997,732	-
	25,403,857	12,951,530	843,119	37,512,268	890,000
Due to developer, construction	15,409,200	10,656,292	10,044,601	16,020,891	-
Due to developer, advances	949	-	-	949	-
Lease liability	1,675,277	965,971	233,968	2,407,280	250,351
	\$ 42,489,283	\$ 24,573,793	\$ 11,121,688	\$ 55,941,388	\$ 1,140,351

Business-Type Activities

Contract Revenue Bonds

	Series 2016	Series 2017
Amounts outstanding, May 31, 2024	\$5,545,000	\$2,390,000
Interest rates	1.250% to 3.625%	2.00% to 4.00%
Maturity dates, serially beginning/ending	December 1, 2024/2041	December 1, 2024/2042
Interest payment dates	December 1/June 1	December 1/June 1
Callable dates*	December 1, 2024	December 1, 2024
	Series 2018	Series 2019
Amounts outstanding, May 31, 2024	\$4,150,000	\$4,465,000
Interest rates	2.25% to 4.00%	2.10% to 3.75%
Maturity dates, serially beginning/ending	December 1, 2024/2042	December 1, 2024/2044
Interest payment dates	December 1/June 1	December 1/June 1
Callable dates*	December 1, 2023	December 1, 2024

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

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

	<u>Series 2021</u>	<u>Series 2022</u>
Amounts outstanding, May 31, 2024	\$3,880,000	\$4,730,000
Interest rates	2.00% to 3.00%	4.000% to 4.375%
Maturity dates, serially beginning/ending	December 1, 2024/2045	December 1, 2024/2046
Interest payment dates	December 1/June 1	December 1/June 1
Callable dates*	December 1, 2026	May 1, 2027
		<u>Series 2023</u>
Amount outstanding, May 31, 2024		\$13,350,000
Interest rates		5.00% to 7.50%
Maturity dates, serially beginning/ending		December 1, 2025/2048
Interest payment dates		December 1/June 1
Callable date*		November 1, 2030

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on contract revenue bonds outstanding at May 31, 2024:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 890,000	\$ 1,583,342	\$ 2,473,342
2026	1,215,000	1,546,625	2,761,625
2027	1,255,000	1,496,894	2,751,894
2028	1,295,000	1,444,868	2,739,868
2029	1,340,000	1,390,068	2,730,068
2030-2034	7,475,000	6,041,990	13,516,990
2035-2039	9,005,000	4,419,932	13,424,932
2040-2044	10,120,000	2,409,328	12,529,328
2045-2049	5,915,000	624,147	6,539,147
	<u>\$ 38,510,000</u>	<u>\$ 20,957,194</u>	<u>\$ 59,467,194</u>
Total			

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

Principal and interest on the bonds are payable from and secured by an unconditional obligation to make certain payments by the participating districts in the applicable service area pursuant to the contracts described in Note 7. The participants have each agreed to pay a pro rata share of the debt service of the bonds based on the certified assessed valuation of each participant as a percentage of the total assessed valuation of all participating districts.

Under the terms of the contract, the Master District shall calculate and bill on or before September 1 of each year, or as soon thereafter as practical, the amount of contract tax payments due from each participant for the following year. The contract tax payments are payable by the participants semiannually, on May 15 and November 15 of each year, for the June 1 and December 1 debt service requirements. A summary of the participants and their assessed valuations and contract tax payments for the 2024 calendar year is shown as follows:

	<u>Assessed Valuations</u>	<u>Contractual Payments</u>
The District	\$ 627,330	\$ 2,811
East Montgomery County Municipal Utility District No. 6	385,527,930	1,736,696
East Montgomery County Municipal Utility District No. 7	<u>235,644,754</u>	<u>1,061,493</u>
	<u>\$ 621,800,014</u>	<u>\$ 2,801,000</u>
Master District Contract revenue bonds authorized	\$ 225,000,000	
Master District Contract revenue bonds sold	41,745,000	
Internal District Tax bonds authorized:		
Water, sewer and drainage	239,704,262	
Road and paving	122,029,430	
Park and recreational facilities	24,600,000	
Refunding	386,333,692	

Governmental Activities

Due to Developer - Construction

The developer of the Internal District has constructed facilities on behalf of the Internal District. The Internal District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs, plus interest, to the extent approved by the Commission from the proceeds of tax bond sales. The District's engineer estimates reimbursable costs for completed projects are \$9,974,787. These amounts have been recorded in the financial statements as long-term liabilities.

Due to Developer - Advances

The developer of the Internal District has advanced \$60,250 to the Internal District for operations. These advances have been recorded as liabilities in the government-wide financial statements.

Business-Type Activities

Due to Developer - Construction

The developer of the Master District has constructed regional facilities on behalf of the Master District. The Master District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs, plus interest, to the extent approved by the Commission from the proceeds of contract revenue bond sales.

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

The District’s engineer estimates reimbursable costs for completed projects are \$16,020,891. These amounts have been recorded in the financial statements as long-term liabilities.

Due to Developer - Advances

The developer of the Master District has advanced \$949 to the Master District for operations. These advances have been recorded as liabilities in the government-wide financial statements.

Lease Liability

The following schedule shows the annual lease requirements to pay principal and interest on the lease liability outstanding at May 31, 2024:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 250,351	\$ 225,749	\$ 476,100
2026	597,284	179,401	776,685
2027	222,252	142,848	365,100
2028	796,043	92,964	889,007
2029	541,350	3,759	545,109
Total	<u>\$ 2,407,280</u>	<u>\$ 644,721</u>	<u>\$ 3,052,001</u>

On October 23, 2019, as subsequently amended, the Master District entered into an equipment lease agreement for a 150,000 gallon-per-day (gpd) sewage treatment plant and certain other equipment. The agreement will remain in effect for 60 months and will begin on the first day of the month following substantial completion of the leased equipment. Monthly payments are \$9,250 for the first 60 months. After the first 60 months, the agreement automatically extends under the original terms and conditions until the District gives 90-day written notice of its intent to cancel and terminate the lease and the monthly payments will be \$8,200. During a prior year, the District paid \$17,600 for the first and last month’s deposit. The lease commenced in fiscal year 2021, and the Master District paid \$111,000 in monthly lease payments in the current year.

On August 25, 2021, the Master District entered into an equipment lease agreement for a 150,000 gallon-per-day (gpd) sewage treatment plant and certain other equipment. The agreement will remain in effect for 60 months and will begin on the first day of the month following substantial completion of the leased equipment. Monthly payments are \$18,125 for the first 60 months. After the first 60 months, the agreement automatically extends under the original terms and conditions until the District gives 90-day written notice of its intent to cancel and terminate the lease and the monthly payments will be \$14,250. During a prior year, the District paid \$36,250 for the first and last month’s deposit. The lease commenced in fiscal year 2023, and the Master District paid \$217,500 in monthly lease payments in the current year.

On January 20, 2022, the Master District entered into an equipment lease agreement for a 165,000 gallon-per-day (gpd) sewage treatment plant. The agreement will remain in effect for 60 months and will begin on the first day of the month following substantial completion of the leased equipment. A set up and installation fee of \$50,000 is due on the date the installation of the leased equipment is substantially complete. Monthly payments are \$12,300 for the first 60 months. After the first 60 months, the agreement automatically extends under the original terms and conditions until the District gives 90-day written notice of its intent to cancel and terminate the lease and the monthly payments are \$11,100. During the prior year, the Master District paid \$24,600 for the first and last month’s deposit. The lease commenced in the current fiscal year, and the Master District paid \$147,600 in monthly lease payments in the current year.

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

Note 5. Significant Bond Order and Commission Requirements

Bond Interest Reserve

In accordance with the Series 2023 Contract Revenue Bond Order, a portion of the bond proceeds were deposited with the Master District and reserved for the payment of bond interest during the construction period. The bond interest reserve is reduced as interest is paid.

Bond interest reserve, beginning of year	\$ -
Additions--Interest appropriated from Series bond proceeds, Series 2023	361,750
Deductions--Appropriation from bond interest paid, Series 2023	<u>(361,750)</u>
Bond interest reserve, end of year	<u><u>\$ -</u></u>

Note 6. Maintenance Taxes

At an election held May 12, 2007, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the Internal District subject to taxation. During the year ended May 31, 2024, the District levied a total ad valorem maintenance tax at the rate of \$0.8400 per \$100 of assessed valuation, which resulted in a tax levy of \$5,270 on the taxable valuation of \$627,330 for the 2023 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held May 6, 2023, voters authorized a road maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the Internal District subject to taxation. During the year ended May 31, 2024, the District did not levy an ad valorem road maintenance tax. The road maintenance tax, when levied, will be used to pay expenditures for maintaining certain roads within the Internal District.

At an election held May 6, 2023, voters authorized a park and recreational facilities maintenance tax not to exceed \$0.10 per \$100 of assessed valuation on all property within the Internal District subject to taxation. During the year ended May 31, 2024, the District did not levy an ad valorem park and recreational facilities maintenance tax. The park and recreational facilities maintenance tax, when levied, will be used to pay expenditures for maintaining the park and recreational facilities within the Internal District.

Note 7. Contract Tax

At an election held May 12, 2007, voters authorized a contract tax on all property within the Internal District subject to taxation. During the year ended May 31, 2024, the District levied a total ad valorem contract tax at the rate of \$0.4600 per \$100 of assessed valuation, which resulted in a tax levy of \$2,886 on the taxable valuation of \$627,330 for the 2023 tax year. The contract tax is used to pay for its pro rata share of principal and interest on the District's contract revenue bonds as described in Note 8.

Note 8. Financing and Operation of Regional Facilities

As of February 23, 2007, and as amended, East Montgomery County Municipal Utility District No. 7 (District No. 7) entered into regional contracts with the District, East Montgomery County Municipal Utility District No. 6 (District No. 6), and itself, District No. 7 (collectively, the Participants), whereby District No. 7 would act as a master district

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

to provide, or cause to be provided, the regional water supply and delivery facilities and the regional waste collection, treatment and disposal facilities, as well as drainage, parks, and other services and facilities permitted by law, necessary to serve the Participants. As of October 1, 2015, each Participant authorized an assignment and assumption of the regional contract whereby District No. 7 assigned its right, title and interest in the regional contracts and the District accepted title as master district and began operating and providing services as master district.

Under the terms of the regional contract, which is in effect for 50 years, monthly operating charges will be determined by dividing the total number of equivalent single-family residential connections for all participants by the number of equivalent single-family residential connections for each district, as of the first day of the month, and then multiplying that share by the actual expenses. The District received \$1,666,698 and \$1,383,532 of operating costs attributable to this contract for the year ended May 31, 2024, from District No. 6 and District No. 7, respectively. The District is to maintain an operation and maintenance reserve equivalent to three months of budgeted operation and maintenance expenses.

In addition, the District is authorized to issue master district bonds sufficient for the acquisition, construction or improvement of regional facilities as needed to serve all participants. Each participant is obligated to pay its pro rata share of the debt service requirements on the master district bonds.

Note 9. Water Supply Contract

On March 19, 2013, District No. 7 entered into a water supply contract with the City of Woodbranch Village (the City). The City owns and operates a water production and supply system and has sufficient surplus water capacity to provide emergency water service. District No. 7 paid to construct and maintain a water line interconnect with the City's system. The City will make available capacity sufficient to serve up to 250 connections and will charge a rate of \$2.75 per 1,000 gallons plus the applicable fees charged by the Lone Star Groundwater Conservation District and San Jacinto River Authority. On October 1, 2015, the District approved an assignment and assumption of contract with District No. 7, where District No. 7 assigned its right, title and interest in the contract to the District.

Note 10. Regional Water Authority

The District is within the boundaries of the Lone Star Groundwater Conservation District (the Conservation District), which was created by the Texas Legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. During the year ended May 31, 2024, the District paid \$97,635 to the Conservation District.

Note 11. Groundwater Reduction Agreement

The District has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply and Related Goods and Services (GRP Contract) with the San Jacinto River Authority (the Authority) in order to meet the Conservation District's requirements. As a participant in the Authority's GRP Contract, the District has complied with all current Conservation District requirements for surface water conversion and is obligated to pay to the Authority a groundwater withdrawal fee for all groundwater produced and used by the District, and will be required to pay a water purchase fee for any water actually purchased from the Authority in the future. As of May 31, 2024, the Authority was billing the Master District \$2.99 per 1,000 gallons of water pumped. This amount is subject to future increases. During the year ended May 31, 2024, the Master District recorded expenses of \$955,174 under the GRP Contract.

Note 12. Risk Management

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

Note 13. Contingencies

The developer of the District is constructing regional facilities within the boundaries of the Master District's service area, as well as Internal District facilities. The Master District and Internal District have agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future contract revenue bonds and tax bonds, respectively, to the extent approved by the Commission, if applicable. The District's engineer has stated that current construction contract amounts are approximately \$14,969,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 14. Restatement of Prior Year Financial Statements

Beginning net position in the governmental activities and business-type activities financial statements has been restated for correction of errors of \$10,248 and \$884,964, respectively, due to land and drainage facilities being incorrectly included in the governmental activities capital assets, when these facilities should be recorded in the business-type activities capital assets and due to the accrual of the remaining 2023 contractual obligation payments due from the Participants not being included. This restatement increased previously reported ending net position in the May 31, 2023, governmental activities financial statements by \$10,248 and business-type activities financial statements by \$884,964 and increased previously reported change in net position in the May 31, 2023, governmental activities financial statements by \$10,248 and business-type activities financial statements by \$166,324.

Note 15. Subsequent Events

On September 25, 2024, the District awarded the sale of its Unlimited Tax Contract Revenue Bonds, Series 2024, in the amount of \$16,675,000 at a net effective interest rate of approximately 4.097%. The bonds were sold to reimburse the developer for construction projects within the Master District.

On September 25, 2024, the District awarded the sale of its Unlimited Tax Bonds, Series 2024, in the amount of \$4,000,000 at a net effective interest rate of approximately 4.224%. The bonds were sold to reimburse the developer for construction projects within the Internal District.

Required Supplementary Information

**East Montgomery County Municipal Utility District No. 5
 Budgetary Comparison Schedule – General Fund
 Year Ended May 31, 2024**

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 5,000	\$ 8,113	\$ 3,113
Water service	-	12,828	12,828
Sewer service	-	38,062	38,062
Regional water fee	-	12,324	12,324
Service to other districts	-	9,997	9,997
Penalty and interest	-	1,044	1,044
Tap connection and inspection fees	-	554,782	554,782
Capital recovery fees	-	438,061	438,061
Investment income	-	2,395	2,395
Other income	-	460	460
Total revenues	<u>5,000</u>	<u>1,078,066</u>	<u>1,073,066</u>
Expenditures			
Service operations:			
Professional fees	77,000	12,497	64,503
Contracted services	4,200	11,118	(6,918)
Repairs and maintenance	-	200,677	(200,677)
Other expenditures	18,500	43,181	(24,681)
Tap connections	-	315,465	(315,465)
Debt service:			
Contractual obligations	-	2,652	(2,652)
Debt issuance costs	-	27,500	(27,500)
Total expenditures	<u>99,700</u>	<u>613,090</u>	<u>(513,390)</u>
Excess (Deficiency) of Revenues Over Expenditures	(94,700)	464,976	559,676
Other Financing Sources			
Developer advances received	<u>94,700</u>	<u>15,000</u>	<u>(79,700)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	479,976	479,976
Fund Balance (Deficit), Beginning of Year	<u>(3,424)</u>	<u>(3,424)</u>	-
Fund Balance (Deficit), End of Year	<u>\$ (3,424)</u>	<u>\$ 476,552</u>	<u>\$ 479,976</u>

East Montgomery County Municipal Utility District No. 5
Notes to Required Supplementary Information
May 31, 2024

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2024.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

East Montgomery County Municipal Utility District No. 5
Other Schedules Included Within This Report
May 31, 2024

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 19-34
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years, Business-Type Activities
- [X] Changes in Long-Term Bonded Debt, Business-Type Activities
- [X] Comparative Schedule of Revenues and Expenditures – General Fund
- [X] Board Members, Key Personnel and Consultants

**East Montgomery County Municipal Utility District No. 5
 Schedule of Services and Rates
 Year Ended May 31, 2024**

1. Services provided by the District:

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input checked="" 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 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	<u>\$ 12.00</u>	<u>5,000</u>	<u>N</u>	<u>\$ 2.50</u>	<u>5,001 to 10,000</u>
				<u>\$ 2.70</u>	<u>10,001 to 15,000</u>
				<u>\$ 2.90</u>	<u>15,001 to 20,000</u>
				<u>\$ 3.05</u>	<u>20,001 to 30,000</u>
				<u>\$ 4.00</u>	<u>30,001 to No Limit</u>
Wastewater:	<u>\$ 20.00</u>	<u>10,000</u>	<u>N</u>	<u>\$ 2.25</u>	<u>10,001 to No Limit</u>
Regional water fee:	<u>\$ 3.29</u>	<u>1,000</u>	<u>N</u>	<u>\$ 3.29</u>	<u>1,001 to No Limit</u>
Garbage:	<u>\$ -</u>	<u>N/A</u>	<u>Y</u>		
Law enforcement fee:	<u>\$ 13.00</u>	<u>N/A</u>	<u>Y</u>		

Does the District employ winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage (including fees): Water \$ 57.40 Wastewater \$ 20.00

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	<u>-</u>	<u>-</u>	<u>x1.0</u>	<u>-</u>
≤ 3/4"	<u>454</u>	<u>451</u>	<u>x1.0</u>	<u>451</u>
1"	<u>-</u>	<u>-</u>	<u>x2.5</u>	<u>-</u>
1 1/2"	<u>2</u>	<u>2</u>	<u>x5.0</u>	<u>10</u>
2"	<u>4</u>	<u>4</u>	<u>x8.0</u>	<u>32</u>
3"	<u>-</u>	<u>-</u>	<u>x15.0</u>	<u>-</u>
4"	<u>-</u>	<u>-</u>	<u>x25.0</u>	<u>-</u>
6"	<u>-</u>	<u>-</u>	<u>x50.0</u>	<u>-</u>
8"	<u>-</u>	<u>-</u>	<u>x80.0</u>	<u>-</u>
10"	<u>-</u>	<u>-</u>	<u>x115.0</u>	<u>-</u>
Total water	<u>460</u>	<u>457</u>		<u>493</u>
Total wastewater	<u>454</u>	<u>451</u>	<u>x1.0</u>	<u>451</u>

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

Gallons pumped into the system:	<u>315,436</u>
Gallons billed to customers:	<u>303,311</u>
Water accountability ratio (gallons billed/gallons pumped):	<u>96.16%</u>

*"ESFC" means equivalent single-family connections

**East Montgomery County Municipal Utility District No. 5
Schedule of General Fund Expenditures
Year Ended May 31, 2024**

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	2,000	
Legal		6,132	
Engineering		4,365	
Financial advisor		-	12,497
Purchased Services for Resale			
Bulk water and wastewater service purchases			-
Regional Water Authority			-
Contracted Services			
Bookkeeping		1,870	
General manager		-	
Appraisal district		80	
Tax collector		1,200	
Security		-	
Other contracted services		-	3,150
Utilities			-
Repairs and Maintenance			200,677
Administrative Expenditures			
Directors' fees		-	
Office supplies		-	
Insurance		50	
Other administrative expenditures		43,131	43,181
Capital Outlay			
Capitalized assets		-	
Expenditures not capitalized		-	-
Tap Connection Expenditures			315,465
Solid Waste Disposal			7,968
Fire Fighting			-
Parks and Recreation			-
Contractual Obligations			2,652
Debt Issuance Costs			27,500
Total expenditures		\$	<u>613,090</u>

East Montgomery County Municipal Utility District No. 5
Schedule of Temporary Investments
May 31, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
Business-Type Activities				
Proprietary Fund				
Fidelity Money Market Fund	4.94%	Demand	<u>\$ 1,561,297</u>	<u>\$ -</u>

**East Montgomery County Municipal Utility District No. 5
 Analysis of Taxes Levied and Receivable
 Year Ended May 31, 2024**

	<u>Maintenance Taxes</u>	<u>Contract Taxes</u>
Receivable, Beginning of Year	\$ -	\$ -
2023 Original Tax Levy	<u>5,270</u>	<u>2,886</u>
Total to be accounted for	5,270	2,886
Current year tax collections	<u>(5,242)</u>	<u>(2,871)</u>
Receivable, end of year	<u>\$ 28</u>	<u>\$ 15</u>
Receivable, by Years		
2023	<u>\$ 28</u>	<u>\$ 15</u>
	<u>2023</u>	<u>2022</u>
Property Valuations		
Land	\$ 2,206,400	\$ 2,342,180
Improvements	-	-
Personal property	-	-
Exemptions	<u>(1,579,070)</u>	<u>(1,707,740)</u>
Total property valuations	<u>\$ 627,330</u>	<u>\$ 634,440</u>
Tax Rates per \$100 Valuation		
Contract tax rates	\$ 0.4600	\$ 0.4100
Maintenance tax rates*	<u>0.8400</u>	<u>0.8900</u>
Total tax rates per \$100 valuation	<u>\$ 1.3000</u>	<u>\$ 1.3000</u>
Tax Levy	<u>\$ 8,156</u>	<u>\$ 8,249</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 for maintenance on May 12, 2007

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

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2016</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ 215,000	\$ 177,922	\$ 392,922
2026	225,000	172,310	397,310
2027	235,000	166,213	401,213
2028	245,000	159,610	404,610
2029	255,000	152,483	407,483
2030	265,000	144,810	409,810
2031	275,000	136,710	411,710
2032	285,000	128,168	413,168
2033	295,000	118,956	413,956
2034	305,000	109,206	414,206
2035	320,000	98,850	418,850
2036	330,000	87,881	417,881
2037	345,000	76,275	421,275
2038	360,000	63,937	423,937
2039	375,000	50,841	425,841
2040	390,000	36,975	426,975
2041	405,000	22,566	427,566
2042	420,000	7,612	427,612
Totals	<u>\$ 5,545,000</u>	<u>\$ 1,911,325</u>	<u>\$ 7,456,325</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2017</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ 105,000	\$ 84,650	\$ 189,650
2026	105,000	81,500	186,500
2027	105,000	78,350	183,350
2028	105,000	75,200	180,200
2029	110,000	71,838	181,838
2030	110,000	68,194	178,194
2031	110,000	64,413	174,413
2032	115,000	60,475	175,475
2033	120,000	56,363	176,363
2034	125,000	51,997	176,997
2035	125,000	47,387	172,387
2036	130,000	42,606	172,606
2037	130,000	37,730	167,730
2038	135,000	32,762	167,762
2039	135,000	27,616	162,616
2040	140,000	22,200	162,200
2041	145,000	16,500	161,500
2042	155,000	10,500	165,500
2043	185,000	3,700	188,700
Totals	<u>\$ 2,390,000</u>	<u>\$ 933,981</u>	<u>\$ 3,323,981</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2018</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ 145,000	\$ 150,568	\$ 295,568
2026	155,000	145,990	300,990
2027	160,000	141,088	301,088
2028	165,000	135,906	300,906
2029	175,000	130,272	305,272
2030	180,000	123,719	303,719
2031	190,000	116,319	306,319
2032	195,000	109,106	304,106
2033	205,000	101,978	306,978
2034	215,000	94,365	309,365
2035	220,000	86,344	306,344
2036	230,000	77,906	307,906
2037	240,000	69,094	309,094
2038	250,000	59,906	309,906
2039	260,000	50,181	310,181
2040	275,000	39,816	314,816
2041	285,000	28,966	313,966
2042	295,000	17,728	312,728
2043	310,000	6,006	316,006
Totals	<u>\$ 4,150,000</u>	<u>\$ 1,685,258</u>	<u>\$ 5,835,258</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2019</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ 140,000	\$ 151,346	\$ 291,346
2026	145,000	147,569	292,569
2027	150,000	143,549	293,549
2028	160,000	139,246	299,246
2029	165,000	134,531	299,531
2030	170,000	129,506	299,506
2031	175,000	124,330	299,330
2032	185,000	118,700	303,700
2033	190,000	112,488	302,488
2034	200,000	105,906	305,906
2035	205,000	98,944	303,944
2036	215,000	91,594	306,594
2037	225,000	83,894	308,894
2038	235,000	75,697	310,697
2039	240,000	66,938	306,938
2040	250,000	57,750	307,750
2041	260,000	48,188	308,188
2042	270,000	38,250	308,250
2043	285,000	27,844	312,844
2044	295,000	16,969	311,969
2045	305,000	5,719	310,719
Totals	<u>\$ 4,465,000</u>	<u>\$ 1,918,958</u>	<u>\$ 6,383,958</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2021</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ 155,000	\$ 100,750	\$ 255,750
2026	150,000	97,700	247,700
2027	150,000	94,700	244,700
2028	150,000	91,700	241,700
2029	145,000	88,750	233,750
2030	150,000	85,613	235,613
2031	155,000	81,987	236,987
2032	155,000	78,113	233,113
2033	155,000	74,237	229,237
2034	150,000	70,425	220,425
2035	160,000	66,550	226,550
2036	160,000	62,550	222,550
2037	160,000	58,350	218,350
2038	160,000	53,950	213,950
2039	170,000	49,200	219,200
2040	170,000	44,100	214,100
2041	175,000	38,925	213,925
2042	175,000	33,675	208,675
2043	240,000	27,450	267,450
2044	255,000	20,025	275,025
2045	265,000	12,225	277,225
2046	275,000	4,125	279,125
Totals	<u>\$ 3,880,000</u>	<u>\$ 1,335,100</u>	<u>\$ 5,215,100</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2022</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ 130,000	\$ 194,606	\$ 324,606
2026	135,000	189,306	324,306
2027	140,000	183,807	323,807
2028	140,000	178,206	318,206
2029	145,000	172,506	317,506
2030	150,000	166,606	316,606
2031	150,000	160,606	310,606
2032	155,000	154,506	309,506
2033	160,000	148,207	308,207
2034	170,000	141,606	311,606
2035	170,000	134,806	304,806
2036	175,000	127,906	302,906
2037	185,000	120,591	305,591
2038	190,000	112,856	302,856
2039	195,000	104,915	299,915
2040	200,000	96,644	296,644
2041	205,000	88,038	293,038
2042	215,000	79,113	294,113
2043	565,000	62,538	627,538
2044	270,000	44,625	314,625
2045	285,000	32,484	317,484
2046	295,000	19,797	314,797
2047	305,000	6,672	311,672
Totals	<u>\$ 4,730,000</u>	<u>\$ 2,720,947</u>	<u>\$ 7,450,947</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2023</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ -	\$ 723,500	\$ 723,500
2026	300,000	712,250	1,012,250
2027	315,000	689,187	1,004,187
2028	330,000	665,000	995,000
2029	345,000	639,688	984,688
2030	365,000	613,062	978,062
2031	385,000	584,938	969,938
2032	400,000	558,000	958,000
2033	420,000	535,000	955,000
2034	445,000	513,375	958,375
2035	465,000	490,625	955,625
2036	490,000	466,750	956,750
2037	515,000	441,625	956,625
2038	540,000	415,250	955,250
2039	565,000	387,625	952,625
2040	595,000	358,625	953,625
2041	625,000	328,125	953,125
2042	655,000	296,125	951,125
2043	690,000	262,500	952,500
2044	720,000	227,250	947,250
2045	760,000	190,250	950,250
2046	795,000	151,375	946,375
2047	835,000	110,625	945,625
2048	875,000	67,875	942,875
2049	920,000	23,000	943,000
Totals	<u>\$ 13,350,000</u>	<u>\$ 10,451,625</u>	<u>\$ 23,801,625</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Annual Requirements For All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total Principal and Interest Due</u>
2025	\$ 890,000	\$ 1,583,342	\$ 2,473,342
2026	1,215,000	1,546,625	2,761,625
2027	1,255,000	1,496,894	2,751,894
2028	1,295,000	1,444,868	2,739,868
2029	1,340,000	1,390,068	2,730,068
2030	1,390,000	1,331,510	2,721,510
2031	1,440,000	1,269,303	2,709,303
2032	1,490,000	1,207,068	2,697,068
2033	1,545,000	1,147,229	2,692,229
2034	1,610,000	1,086,880	2,696,880
2035	1,665,000	1,023,506	2,688,506
2036	1,730,000	957,193	2,687,193
2037	1,800,000	887,559	2,687,559
2038	1,870,000	814,358	2,684,358
2039	1,940,000	737,316	2,677,316
2040	2,020,000	656,110	2,676,110
2041	2,100,000	571,308	2,671,308
2042	2,185,000	483,003	2,668,003
2043	2,275,000	390,038	2,665,038
2044	1,540,000	308,869	1,848,869
2045	1,615,000	240,678	1,855,678
2046	1,365,000	175,297	1,540,297
2047	1,140,000	117,297	1,257,297
2048	875,000	67,875	942,875
2049	920,000	23,000	943,000
Totals	<u>\$ 38,510,000</u>	<u>\$ 20,957,194</u>	<u>\$ 59,467,194</u>

**East Montgomery County Municipal Utility District No. 5
 Changes in Long-Term Bonded Debt, Business-Type Activities
 Year Ended May 31, 2024**

	Bond			
	Series 2016	Series 2017	Series 2018	Series 2019
Interest rates	1.250% to 3.625%	2.00% to 4.00%	2.25% to 4.00%	2.10% to 3.75%
Dates interest payable	December 1/ June 1	December 1/ June 1	December 1/ June 1	December 1/ June 1
Maturity dates	December 1, 2024/2041	December 1, 2024/2042	December 1, 2024/2042	December 1, 2024/2044
Bonds outstanding, beginning of current year	\$ 5,750,000	\$ 2,495,000	\$ 4,290,000	\$ 4,600,000
Bonds sold during current year	-	-	-	-
Retirements, principal	205,000	105,000	140,000	135,000
Bonds outstanding, end of current year	<u>\$ 5,545,000</u>	<u>\$ 2,390,000</u>	<u>\$ 4,150,000</u>	<u>\$ 4,465,000</u>
Interest paid during current year	<u>\$ 183,019</u>	<u>\$ 87,800</u>	<u>\$ 154,842</u>	<u>\$ 154,786</u>

Paying agent's name and address:

- Series 2016** - Amegy Bank, a division of ZB, N.A., Houston, Texas
- Series 2017** - Amegy Bank, a division of ZB, N.A., Houston, Texas
- Series 2018** - Amegy Bank, a division of ZB, N.A., Houston, Texas
- Series 2019** - Zions Bancorporation, N.A., Houston, Texas
- Series 2021** - Zions Bancorporation, N.A., Houston, Texas
- Series 2022** - Zions Bancorporation, N.A., Houston, Texas
- Series 2023** - Zions Bancorporation, N.A., Houston, Texas

Bond authority:

	Contract Revenue Bonds	Tax Revenue Bonds	Tax Revenue Road Bonds	Tax Revenue Park Bonds	Tax Refunding Bonds
Amount authorized by voters	\$ 225,000,000	\$ 239,704,262	\$ 122,029,430	\$ 24,600,000	\$ 386,333,692
Amount issued	\$ 41,745,000	\$ -	\$ -	\$ -	\$ -
Remaining to be issued	<u>\$ 183,255,000</u>	<u>\$ 239,704,262</u>	<u>\$ 122,029,430</u>	<u>\$ 24,600,000</u>	<u>\$ 386,333,692</u>

Debt service fund cash and temporary investment balances as of May 31, 2024:

\$ 1,561,297

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 2,378,688

Issues

<u>Series 2021</u>	<u>Series 2022</u>	<u>Series 2023</u>	<u>Total</u>
2.00% to 3.00%	4.000% to 4.375%	5.00% to 7.50%	
December 1/ June 1	December 1/ June 1	December 1/ June 1	
December 1, 2024/2045	December 1, 2024/2046	December 1, 2025/2048	
\$ 4,035,000	\$ 4,855,000	\$ -	\$ 26,025,000
-	-	13,350,000	13,350,000
<u>155,000</u>	<u>125,000</u>	<u>-</u>	<u>865,000</u>
<u>\$ 3,880,000</u>	<u>\$ 4,730,000</u>	<u>\$ 13,350,000</u>	<u>\$ 38,510,000</u>
<u>\$ 103,850</u>	<u>\$ 199,706</u>	<u>\$ 391,896</u>	<u>\$ 1,275,899</u>

**East Montgomery County Municipal Utility District No. 5
Comparative Schedule of Revenues and Expenditures – General Fund
Two Years Ended May 31,**

	Amounts		Percent of Fund Total Revenues	
	2024	2023	2024	2023
General Fund				
Revenues				
Property taxes	\$ 8,113	\$ 8,249	0.8 %	99.0 %
Water service	12,828	-	1.2	-
Sewer service	38,062	-	3.5	-
Regional water fee	12,324	-	1.1	-
Security service	9,997	-	0.9	-
Penalty and interest	1,044	-	0.1	-
Tap connection and inspection fees	554,782	-	51.5	-
Capital recovery fee	438,061	-	40.6	-
Investment income	2,395	7	0.2	0.1
Other income	460	80	0.1	0.9
Total revenues	1,078,066	8,336	100.0	100.0
Expenditures				
Service operations:				
Professional fees	12,497	54,409	1.2	652.7
Contracted services	11,118	500	1.0	6.0
Repairs and maintenance	200,677	-	18.6	-
Tap connections	315,465	-	29.3	-
Other expenditures	43,181	2,101	4.0	25.2
Debt service:				
Contractual obligations	2,652	-	0.3	-
Debt issuance costs	27,500	-	2.5	-
Total expenditures	613,090	57,010	56.9	683.9
Excess (Deficiency) of Revenues Over Expenditures	464,976	(48,674)	43.1 %	(583.9) %
Other Financing Sources				
Developer advances received	15,000	45,250		
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	479,976	(3,424)		
Fund Balance (Deficit), Beginning of Year	(3,424)	-		
Fund Balance (Deficit), End of Year	\$ 476,552	\$ (3,424)		
Total Active Retail Water Connections	457	-		
Total Active Retail Wastewater Connections	451	-		

**East Montgomery County Municipal Utility District No. 5
Board Members, Key Personnel and Consultants
Year Ended May 31, 2024**

Complete District mailing address:	East Montgomery County Municipal Utility District No. 5 c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046-0307
District business telephone number:	713.651.0111
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 16, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
John G. Patterson	Elected 05/21- 05/25	\$ 1,547	\$ 258	President
Jeffrey Campbell	Appointed 05/24- 05/25	221	-	Vice President
Brian Mashburn	Elected 05/23- 05/27	1,989	421	Secretary
Charles L. Prause	Elected 05/23- 05/27	1,989	166	Assistant Secretary
Nancy Walker	Appointed 10/23- 05/27	1,768	-	Assistant Secretary
Larry Kijewski	Elected 05/21- 05/24	663	123	Resigned

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

**East Montgomery County Municipal Utility District No. 5
Board Members, Key Personnel and Consultants
Year Ended May 31, 2024**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Assessments of the Southwest, Inc.	10/28/15	\$ 1,216	Tax Assessor/ Collector
Coats Rose, P.C.	02/23/07	285,159 39,927	Bond Counsel General Counsel
FORVIS, LLP	09/28/15	39,000	Auditor
H2O Innovation	09/28/15	1,471,544	Operator
L & S District Services, LLC	05/18/07	15,909	Bookkeeper
LJA Engineering, Inc.	09/28/15	166,146	Engineer
Montgomery Central Appraisal District	Legislative Action	80	Appraiser
Robert W. Baird & Co. Incorporated	09/28/15	269,757	Financial Advisor
Investment Officer			
Debra R. Loggins	04/27/16	N/A	Bookkeeper