

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
JUNE 30, 2021

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Montgomery County Improvement District
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities, component units, and each major fund of East Montgomery County Improvement District (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, component units, and each major fund of the District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, 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.

Other 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 other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 4, 2021

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Management's discussion and analysis of the financial performance of East Montgomery County Improvement District (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the governmental-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. The District's Component Units include activities related to the East Montgomery County Improvement District Economic Development Zone Nos. 1, 2, 3 and 4.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, sales and hotel tax receipts, economic development expenditures and general expenditures. The Debt Service Fund accounts for transfers from the General Fund that are restricted for servicing bond debt. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for the acquisition or construction of major capital facilities and related costs.

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information ("OSI"). The budgetary comparison schedule is included as RSI for the General Fund and a schedule of long-term debt service requirements is included as OSI.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$21,763,554 as of June 30, 2021. The following table provides a summary of the District's Statement of Net Position as of June 30, 2021 and June 30, 2020.

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 9,063,732	\$ 9,949,304	\$ (885,572)
Capital Assets (Net of Accumulated Depreciation)	21,484,718	16,428,321	5,056,397
Total Assets	<u>\$ 30,548,450</u>	<u>\$ 26,377,625</u>	<u>\$ 4,170,825</u>
Deferred Outflows of Resources	\$ 902,458	\$ -0-	\$ 902,458
Bonds Payable	\$ 7,925,000	\$ 9,219,612	\$ 1,294,612
Other Liabilities	1,762,354	1,318,822	(443,532)
Total Liabilities	<u>\$ 9,687,354</u>	<u>\$ 10,538,434</u>	<u>\$ 851,080</u>
Net Position:			
Net Investment in Capital Assets	\$ 14,563,086	\$ 7,309,529	\$ 7,253,557
Restricted	1,009,637	1,926,064	(916,427)
Unrestricted	6,190,831	6,603,597	(412,766)
Total Net Position	<u>\$ 21,763,554</u>	<u>\$ 15,839,190</u>	<u>\$ 5,924,364</u>

The following table provides a summary of the District's operations for the years ended June 30, 2021, and June 30, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Sales Tax Revenues	\$ 15,669,095	\$ 13,515,164	\$ 2,153,931
Contributions and Reimbursements	1,321,133	4,284,328	(2,963,195)
Other Revenues	1,121,527	953,144	168,383
Total Revenues	<u>\$ 18,111,755</u>	<u>\$ 18,752,636</u>	<u>\$ (640,881)</u>
Total Expenses	<u>12,187,391</u>	<u>12,397,567</u>	<u>210,176</u>
Change in Net Position	\$ 5,924,364	\$ 6,355,069	\$ (430,705)
Net Position, Beginning of Year	15,839,190	9,484,121	6,355,069
Net Position, End of Year	<u>\$ 21,763,554</u>	<u>\$ 15,839,190</u>	<u>\$ 5,924,364</u>

Note: The prior fiscal year ending balances were adjusted – see Note 13.

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2021, were \$7,364,094, a decrease of \$80,955 from prior year.

The General Fund fund balance increased by \$938,383, primarily due to sales tax revenues and proceeds from the sale of land being greater than economic development, capital and administrative costs.

The Debt Service Fund fund balance decreased by \$1,019,427 primarily due to the structure of the District's outstanding debt as well as the impact of the issuance of refunding bonds in the current fiscal year.

The Capital Projects Fund fund balance increased by \$89 due to investment revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$4,620,278 more than budgeted revenues, actual expenditures were \$6,007,283 more than budgeted expenditures, and actual other financing sources exceeding budgeted other financing sources by \$2,325,388. This resulted in a positive variance of \$938,383. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of June 30, 2021, total \$21,484,718 (net of accumulated depreciation) and include land, buildings, equipment and detention facilities. Current year additions included land purchases, YMER building expansion and improvements, and the storm sewer trunk and the Kingwood Parc detention basin. Construction in progress includes the Industrial Park expansion and building improvements.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 9,451,606	\$ 6,692,838	\$ 2,758,768
Construction in Progress	1,583,786	3,987,441	(2,403,655)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	9,188,549	5,748,042	3,440,507
Detention Facilities	1,260,777	1,260,777	-
Total Net Capital Assets	\$ 21,484,718	\$ 16,428,321	\$ 5,056,397

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of \$7,925,000. The changes in the debt position of the District during the fiscal year ended June 30, 2021, are summarized as follows:

Bond Debt Payable, July 1, 2020	\$ 6,925,000
Add: Refunding Bond Sale	7,925,000
Less: Bond Principal Paid/Refunded	<u>6,925,000</u>
Bond Debt Payable, June 30, 2021	<u>\$ 7,925,000</u>

The District's underlying rating is "AA-." The Series 2020 Refunding Bonds carry an insured rating of "AA" by S&P based on bond insurance issued by Build America Mutual Assurance Company.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to East Montgomery County Improvement District, 3700 Buffalo Speedway, Suite 830, Houston, TX 77098.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2021

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 3,921,625	\$ 39,086
Investments	751,124	1,031,146
Receivables:		
Sales Taxes	2,979,777	
Other	35,300	2,121
Due From Component Unit	202,643	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 7,890,469	\$ 1,072,353
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 7,890,469	\$ 1,072,353
LIABILITIES		
Accounts Payable	\$ 1,699,638	\$
Accrued Interest Payable		
Due to Primary Government		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,699,638	\$ -0-
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		1,072,353
Unassigned	6,190,831	
TOTAL FUND BALANCES	\$ 6,190,831	\$ 1,072,353
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,890,469	\$ 1,072,353
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position	Component Units
\$ 474	\$ 3,961,185	\$	\$ 3,961,185	\$ 307,505
100,436	1,882,706		1,882,706	
	2,979,777		2,979,777	3,272
	37,421		37,421	
	202,643		202,643	
		9,451,606	9,451,606	
		1,583,786	1,583,786	
		10,449,326	10,449,326	
<u>\$ 100,910</u>	<u>\$ 9,063,732</u>	<u>\$ 21,484,718</u>	<u>\$ 30,548,450</u>	<u>\$ 310,777</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 902,458</u>	<u>\$ 902,458</u>	<u>\$ -0-</u>
<u>\$ 100,910</u>	<u>\$ 9,063,732</u>	<u>\$ 22,387,176</u>	<u>\$ 31,450,908</u>	<u>\$ 310,777</u>
\$	\$ 1,699,638	\$	\$ 1,699,638	\$ 323
		62,716	62,716	202,643
		290,000	290,000	
		7,635,000	7,635,000	
<u>\$ -0-</u>	<u>\$ 1,699,638</u>	<u>\$ 7,987,716</u>	<u>\$ 9,687,354</u>	<u>\$ 202,966</u>
\$ 100,910	\$ 100,910	\$ (100,910)	\$	\$
	1,072,353	(1,072,353)		
	6,190,831	(6,190,831)		107,811
<u>\$ 100,910</u>	<u>\$ 7,364,094</u>	<u>\$ (7,364,094)</u>	<u>\$ - 0 -</u>	<u>\$ 107,811</u>
<u>\$ 100,910</u>	<u>\$ 9,063,732</u>			<u>\$ 310,777</u>
		\$ 14,563,086	\$ 14,563,086	\$
		1,009,637	1,009,637	
		6,190,831	6,190,831	107,811
		<u>\$ 21,763,554</u>	<u>\$ 21,763,554</u>	<u>\$ 107,811</u>

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

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balances - Governmental Funds	\$	7,364,094
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		902,458
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		21,484,718
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (62,716)	
Bonds Payable	<u>(7,925,000)</u>	<u>(7,987,716)</u>

Total Net Position - Governmental Activities	\$	<u>21,763,554</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Debt Service Fund
REVENUES		
Sales Taxes	\$ 15,669,095	\$
Hotel/Motel Taxes	201,786	
Land Sales	2,644,434	
Detention Facilities Contributed by Developer Rental, Events, Grants and Other Revenues	910,103	9,549
TOTAL REVENUES	\$ 19,425,418	\$ 9,549
EXPENDITURES/EXPENSES		
Service Operations:		
Programs:		
Community Development	\$ 4,756,485	\$
Economic Development	1,825,736	
Scholarships	900,000	
Administrative:		
Professional Fees	262,825	
Salaries and Benefits	1,533,879	
Other	700,212	2,975
Building	874,263	
Depreciation		
Capital Outlay	6,912,260	
Debt Service:		
Bond and Note Principal Retirements	2,390,000	130,000
Bond/Note Interest	85,131	519,677
Bond Issuance Costs		269,146
TOTAL EXPENDITURES/EXPENSES	\$ 20,240,791	\$ 921,798
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ (815,373)	\$ (912,249)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 387,500	\$ (387,500)
Reimbursements from East Montgomery County MUD No. 3	1,366,256	
Proceeds from Issuance of Refunding Bonds		7,925,000
Transfer to Refunded Bond Escrow Agent		(7,644,678)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 1,753,756	\$ (107,178)
NET CHANGE IN FUND BALANCES	\$ 938,383	\$ (1,019,427)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2020, AS ADJUSTED	5,252,448	2,091,780
FUND BALANCES/NET POSITION - JUNE 30, 2021	\$ 6,190,831	\$ 1,072,353

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

Capital Projects Fund	Total	Adjustments	Statement of Activities	Component Units
\$	\$ 15,669,095	\$	\$ 15,669,095	\$ 710,338
	201,786		201,786	
	2,644,434	(2,644,434)		
		1,321,133	1,321,133	
89	919,741		919,741	238
<u>\$ 89</u>	<u>\$ 19,435,056</u>	<u>\$ (1,323,301)</u>	<u>\$ 18,111,755</u>	<u>\$ 710,576</u>
\$	\$ 4,756,485	\$	\$ 4,756,485	\$
	1,825,736		1,825,736	735,164
	900,000		900,000	
	262,825		262,825	29,161
	1,533,879		1,533,879	
	703,187		703,187	2,372
	874,263		874,263	
		517,453	517,453	
	6,912,260	(6,912,260)		
	2,520,000	(2,520,000)		
	604,808	(60,391)	544,417	
	269,146		269,146	
<u>\$ -0-</u>	<u>\$ 21,162,589</u>	<u>\$ (8,975,198)</u>	<u>\$ 12,187,391</u>	<u>\$ 766,697</u>
<u>\$ 89</u>	<u>\$ (1,727,533)</u>	<u>\$ 7,651,897</u>	<u>\$ 5,924,364</u>	<u>\$ (56,121)</u>
\$	\$	\$	\$	\$
	1,366,256	(1,366,256)		
	7,925,000	(7,925,000)		
	(7,644,678)	7,644,678		
<u>\$ -0-</u>	<u>\$ 1,646,578</u>	<u>\$ (1,646,578)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ 89	\$ (80,955)	\$ 80,955	\$	\$
		5,924,364	5,924,364	\$ (56,121)
100,821	7,445,049	8,394,141	15,839,190	163,932
<u>\$ 100,910</u>	<u>\$ 7,364,094</u>	<u>\$ 14,399,460</u>	<u>\$ 21,763,554</u>	<u>\$ 107,811</u>

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

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Governmental Funds	\$	(80,955)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(517,453)
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In the Statement of Net Position, capital assets are increased by new purchases or assets conveyed to the District and reduced for assets sold or conveyed to other entities for ownership and maintenance.		4,222,703
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Governmental funds report principal payments on long-term debt as expenditures. However, in the Statement of Net Position, principal payments on long-term debt are reported as decreases in long-term liabilities.		2,520,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		60,391
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Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(7,925,000)
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Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.		7,644,678
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Change in Net Position - Governmental Activities	\$	<u>5,924,364</u>
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The accompanying notes to the financial statements are an integral part of this report.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1. CREATION OF DISTRICT

East Montgomery County Improvement District of Montgomery County, Texas, a special district and political subdivision of the State of Texas, was created and established by Senate Bill No. 921 passed by the 75th Legislature, Regular Session, and signed on June 20, 1997. Senate Bill No. 1648 amended Senate Bill No. 921 and was signed into law by the Governor on May 20, 1999. Senate Bill No. 1772 amended Senate Bill No. 921, as amended by Senate Bill 1648, and was signed into law by the Governor during the 77th Texas State legislative session. Senate Bill No. 1772 took effect September 1, 2001. House Bill No. 4015 amended Senate Bill No. 921, as amended by Senate Bill 1648 and Senate Bill 1772 and was signed into law by the Governor during the 80th Texas State legislative session. Senate Bill 2453 amended House Bill No. 4015 during the 81st Texas State legislative session. The District was created to promote, develop, encourage, and maintain employment, commerce, economic development, and public welfare in the eastern area of Montgomery County. The District's Board of Directors held its organizational meeting on June 24, 1997 and sold its first series of bonds in October 2000.

The boundaries of the District, as amended by Senate Bill 1772, are coextensive with the boundaries of the New Caney Independent School District and the Splendora Independent School District, as those boundaries existed on January 1, 1997, but the District does not include any portion of the City of Houston as it existed on January 1, 1997, and does not include any portion of the New Caney Independent School District as the boundaries of the District exist on September 1, 2001, or as they may exist in the future, located in Harris County.

The District is governed by an eight-member Board of Directors and employs permanent staff, which includes a President/CEO.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the "Commission").

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. East Montgomery County Improvement District Economic Development Zone Nos. 1, 2, 3 and 4 meet the component unit criteria for inclusion in the District's financial statements.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Asset; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District’s Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

The District's Component Units include activities related to the East Montgomery County Improvement District Economic Development Zone Nos. 1, 2, 3 and 4.

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds - The District has three governmental funds and considers these to be major funds.

General Fund – To account for resources not required to be accounted for in another fund, sales tax receipts, hotel/motel tax receipts, economic development expenditures, and general operating expenditures.

Debt Service Fund – To account for financial resources restricted for servicing bond debt.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for the acquisition or construction of major capital facilities.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectible within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include office equipment and fixtures and vehicles, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Buildings, improvements and detention facilities are amortized over 40 years. Furniture and equipment are amortized over 7 years.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

Eligible District employees may participate in a 401(k) Plan. See Note 10 for more information on the retirement plan.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the 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 associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting 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 amount 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 expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. LONG-TERM DEBT

The District's bonds payable at June 30, 2021, consist of the following:

	Series 2020 Taxable Sales Tax Revenue Refunding Bonds
Amount Outstanding - June 30, 2021	\$ 7,925,000
Interest Rates	0.80% - 2.87%
Maturity Dates – Serially Beginning/Ending	August 15, 2021/2039
Interest Payment Dates	August 15/ February 15
Callable Dates	August 15, 2030*

* Or any date thereafter, at the option of the District, as a whole or in part, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Term bonds maturing on August 15, 2039 are subject to mandatory sinking fund redemption commencing on August 15, 2036.

The Series 2020 Refunding Bonds (the "Bonds") are payable from and secured by a lien on and pledge of 60% of the revenues derived from sales taxes levied within the District. The Debt Service Fund is to be maintained by the District as security for the payment of the Bonds. The total amount to be accumulated and maintained in the Debt Service Fund is an amount equal to the least of (1) the maximum annual debt service requirements on the Bonds, (2) 125% of the average debt service requirements on the Bonds, and (3) 10% of the stated principal amount of the Bonds then outstanding.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2021:

	July 1, 2020	Additions	Retirements	June 30, 2021
Bonds Payable	\$ 6,925,000	\$ 7,925,000	\$ 6,925,000	\$ 7,925,000
Unamortized Discounts	(95,388)		(95,388)	
Bonds Payable, Net	\$ 6,829,612	\$ 7,925,000	\$ 6,829,612	\$ 7,925,000
			Amount Due Within One Year	\$ 290,000
			Amount Due After One Year	7,635,000
			Bonds Payable, Net	\$ 7,925,000

As of June 30, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 290,000	\$ 166,082	\$ 456,082
2023	295,000	163,594	458,594
2024	305,000	160,741	465,741
2025	315,000	157,326	472,326
2026	325,000	153,243	478,243
2027-2031	1,830,000	680,413	2,510,413
2032-2036	2,270,000	469,903	2,739,903
2037-2040	2,295,000	136,541	2,431,541
	\$ 7,925,000	\$ 2,087,843	\$ 10,012,843

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond order states that the District is required to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year shall continue to be provided through the life of the bonds.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$4,441,185 and the bank balance was \$5,171,859. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2021, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 3,921,625	\$	\$ 3,921,625
DEBT SERVICE FUND	39,086	480,000	519,086
CAPITAL PROJECTS FUND	474		474
TOTAL DEPOSITS	\$ 3,961,185	\$ 480,000	\$ 4,441,185

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. Certificates of deposit are recorded at acquisition cost.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level 1 investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of June 30, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 751,124	\$ 751,124
<u>DEBT SERVICE FUND</u>		
TexPool	551,146	551,146
Certificates of Deposit	480,000	480,000
<u>CAPITAL PROJECTS FUND</u>		
TexPool	100,436	100,436
TOTAL INVESTMENTS	<u>\$ 1,882,706</u>	<u>\$ 1,882,706</u>

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021, the District's investments in TexPool and Texas CLASS were rated "AAAm" by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC insurance coverage. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets. All cash and investments of the Component Units are restricted for the activities related to the East Montgomery County Improvement District Economic Development Zone Nos. 1, 2, 3 and 4.

NOTE 6. SALES AND USE TAX REVENUES

In September 1997, the voters of the District authorized the District's Board of Directors to levy and collect a 1% sales and use tax within the District, subject to the applicable provisions of the Texas Tax Code. In November 2009, an additional local sales and use tax of 1/2% was approved by voters. The District relies on this tax for the funding of substantially all of its programs, functions and services. A portion of the sales tax revenues are pledged for the payment of principal and interest on the District's outstanding bonds (see Note 3).

NOTE 7. ECONOMIC DEVELOPMENT AGREEMENT

On July 24, 2019, the District entered into an economic development agreement (the "Agreement") with Kingwood Parc City Center, L.P. ("Developer"). The Texas Department of Public Transportation ("TxDOT") and the Developer have agreed to jointly finance the construction of detention facilities. In exchange for its receipt of capacity in the detention facilities, TxDOT has agreed to pay the District \$2,464,714 for its share of the project cost. The District has agreed to pay this amount to the Developer (less a maintenance expense reserve of \$200,000 to be kept by the District). Additional economic incentives may be granted to the Developer by the District as part of the Agreement.

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	July 1, 2020	Increases	Decreases	June 30, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 6,692,838	\$ 2,758,768	\$	\$ 9,451,606
Construction in Progress	3,987,441	2,815,082	5,218,737	1,583,786
Total Capital Assets Not Being Depreciated	<u>\$ 10,680,279</u>	<u>\$ 5,573,850</u>	<u>\$ 5,218,737</u>	<u>\$ 11,035,392</u>
Capital Assets Subject to Depreciation				
Buildings and Equipment	\$ 9,929,261	\$ 3,897,604	\$	\$ 13,826,865
Detention Facilities	_____	1,321,133	_____	1,321,133
Total Capital Assets Subject to Depreciation	<u>\$ 9,929,261</u>	<u>\$ 5,218,737</u>	<u>\$ - 0 -</u>	<u>\$ 15,147,998</u>
Accumulated Depreciation				
Buildings and Equipment	\$ 4,181,219	\$ 457,097	\$	\$ 4,638,316
Detention Facilities	_____	60,356	_____	60,356
Total Accumulated Depreciation	<u>\$ 4,181,219</u>	<u>\$ 517,453</u>	<u>\$ - 0 -</u>	<u>\$ 4,698,672</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,748,042</u>	<u>\$ 4,701,284</u>	<u>\$ - 0 -</u>	<u>\$ 10,449,326</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 16,428,321</u></u>	<u><u>\$ 10,275,134</u></u>	<u><u>\$ 5,218,737</u></u>	<u><u>\$ 21,484,718</u></u>

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and there have been no settlements in the past three years.

NOTE 10. QUALIFIED RETIREMENT PLAN

On January 1, 2006, the District established a 401(k) plan for eligible employees. The full name of the plan is East Montgomery County Improvement District 401(k) Plan, and records are maintained on a 12-month calendar year. The Plan's administrator is the District, and contributions are held in a Trust Fund with trustees responsible for safekeeping. Eligibility requirements include completion of six months of service and attainment of the age of 21. The District makes matching contributions to the plan which are tax deferred.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DISTRICT PROGRAMS AND ACTIVITIES

The mission of the District is to promote, develop, encourage and maintain employment, commerce, economic development and public welfare in the eastern area of Montgomery County, Texas. Currently, the four main areas of focus for the District's activities are Economic Development, Community Development, Educational Development and Building Facility Ownership and Management.

In the area of Economic Development, the District is recruiting businesses to relocate to the District and utilize the local labor pool; helping existing commercial/retail/and industrial businesses to expand with a focus on diversification of activities; providing assistance in infrastructure development so that companies relocating or expanding have an easier time with utility or transportation changes that may be required; and responding to business inquiries on the facts and attributes of East Montgomery County. The District has developed and continues to expand an industrial park within the District.

Community Development activities include providing grants to non-profit organizations assisting in their outreach and service goals to the community; supporting local law enforcement and fire organization with needs outside the normal budgeted items; funding high visibility projects for the local Chamber of Commerce as well as park and beautification projects; and coordinating two festivals each year that serve local school children's needs for supplies and family activities.

The Educational Development programs have positively impacted the number of students from the District accessing college level course work. These activities include providing up to \$1,600 in scholarships to every high school graduate, whether graduating from New Caney ISD or Splendora ISD, private schools, or home school, for study at the college level. The District created a Scholarship Foundation to administer the scholarship program and to raise funds to establish a permanent endowment fund.

The District owns and operates a 33,000 square foot multiuse facility, on a 12.85 acre site, which serves as a positive standard for high quality building within the District. The building houses the District offices as well as offices used by other entities and is also available for special group activity events such as private business meetings, receptions and weddings. The District (along with the County) financed a public library located on a site adjacent to the District's 33,000 square foot building. Additionally, the District owns a 2.4 acre site that is available for additional office/public facility building development.

The District also owns and leases buildings in its Industrial Park. The District entered into a 60-month operating lease agreement with Ymer Technology, Inc. ("Ymer") which expires in 2024. Ymer leases office space from the District at a current cost of \$16,060 per month.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12. COMMITMENTS AND CONTINGENCIES

Utility Development Agreement with East Montgomery County Municipal Utility District No. 3

The District entered into an agreement with East Montgomery County Municipal Utility District No. 3 (“District No. 3”) for the construction of certain utilities necessary to provide water, sewer, and drainage services to the service area, and to convey those utilities to District No. 3 upon their completion. During the current fiscal year, District No. 3 reimbursed a portion of the costs it owed the District of \$1,366,256.

Joint Agreement with Montgomery County Emergency Services District No. 7

The District has an agreement with Montgomery County Emergency Services District No. 7 (“ESD No. 7”) whereby the District makes payments to ESD No. 7 based on sales tax collections. The District will also, from time to time, make additional grants and capital contribution payments to ESD No. 7. ESD No. 7 uses these resources to provide expanded emergency services within its boundaries. In the current fiscal year, the District made payments totaling \$1,058,013 to ESD No. 7.

Joint Agreement with Montgomery County Emergency Services District No. 6

The District has an agreement with Montgomery County Emergency Services District No. 6 (“ESD No. 6”) whereby the District makes payments to ESD No. 6 based on sales tax collections to be used to provide expanded emergency services within its boundaries. During the current fiscal year, the District made payments of \$1,383,177 to ESD No. 6.

Promissory Notes

On February 28, 2020, the District became a guarantor on two promissory notes totaling \$2,390,000. Proceeds from both promissory notes were used to purchase certain parcels of land for the expansion of the industrial park. During the current fiscal year, the District sold the land and used the proceeds to retire the promissory notes.

NOTE 13. PRIOR PERIOD ADJUSTMENT

The District decreased its beginning Net Position balance by \$2,496,459 to correct a prior period overstatement of land owned by the District as well as balances due from other governmental entities. This resulted in a beginning Net Position balance of \$15,839,190.

NOTE 14. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not been significantly impacted as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15. BOND SALE

On August 27, 2020, the District closed on the sale of its \$7,925,000 Sales Tax Revenue Refunding Bonds, Series 2020. Proceeds of the bonds were used to pay certain issuance costs and to advance refund \$6,795,000 of its Series 2009 Sales Tax Revenue Bonds with maturity dates from August 15, 2021 through August 15, 2039 and interest rates from 5.500% to 6.625%. The refunding resulted in gross debt service savings of \$2,310,605 and net present value savings of \$1,798,343.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales Tax Revenues	\$ 11,580,000	\$ 15,669,095	\$ 4,089,095
Hotel/Motel Taxes	100,000	201,786	101,786
Rental, Events, Grants and Other Revenues	480,706	910,103	429,397
TOTAL REVENUES	\$ 12,160,706	\$ 16,780,984	\$ 4,620,278
EXPENDITURES			
Service Operations:			
Programs:			
Community Development:			
ESD No. 6 and ESD No. 7 Donations	\$ 2,148,000	\$ 2,441,190	\$ (293,190)
Legal Fees	32,400	24,218	8,182
Special Events	2,322,891	2,107,452	215,439
Grants	200,000	183,625	16,375
Total Community Development Expenditures	\$ 4,703,291	\$ 4,756,485	\$ (53,194)
Economic Development	\$ 2,120,253	\$ 1,825,736	\$ 294,517
Scholarships	\$ 450,000	\$ 900,000	\$ (450,000)

See accompanying independent auditor's report.

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)			
Administrative:			
Salaries	\$ 1,280,789	\$ 1,533,879	\$ (253,090)
Mileage	7,692	5,270	2,422
Dues/Professional Memberships	27,252	25,281	1,971
Election Expense	34,833	61,466	(26,633)
Subscriptions	10,080	4,049	6,031
Office Equipment Lease	10,299	41,839	(31,540)
Computers/Software	90,000	80,276	9,724
Travel and Training	305,000	128,034	176,966
Professional Fees	245,772	262,825	(17,053)
Advertising	120,000	82,436	37,564
Accounting	48,804	47,861	943
Supplies	19,584	12,814	6,770
Printing	75,000	86,540	(11,540)
Delivery Fees	5,220	6,905	(1,685)
Postage	45,000	39,414	5,586
Telephone	20,400	11,525	8,875
Miscellaneous	69,302	66,502	2,800
Total Administrative Expenditures	\$ 2,415,027	\$ 2,496,916	\$ (81,889)
Building/Capital Outlay (net of assets sold)	\$ 1,894,142	\$ 5,142,089	\$ (3,247,947)
Debt Service: Note Interest	\$ 6,361	\$ 85,131	\$ (78,770)
TOTAL EXPENDITURES	\$ 11,589,074	\$ 17,596,357	\$ (6,007,283)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 571,632	\$ (815,373)	\$ (1,387,005)
OTHER FINANCING SOURCES(USES)			
Reimbursements from Other Entities	\$	\$ 1,366,256	\$ 1,366,256
Transfer (to)/from Debt Service	(571,632)	387,500	959,132
TOTAL OTHER FINANCING SOURCES (USES)	\$ (571,632)	\$ 1,753,756	\$ 2,325,388
NET CHANGE IN FUND BALANCE	\$ -0-	\$ 938,383	\$ 938,383
FUND BALANCE - JULY 1, 2020	5,252,448	5,252,448	
FUND BALANCE - JUNE 30, 2021	\$ 5,252,448	\$ 6,190,831	\$ 938,383

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

OTHER SUPPLEMENTARY INFORMATION

JUNE 30, 2021

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021**

SERIES - 2020 REFUNDING

Due During Fiscal Years Ending June 30	Principal Due August 15	Interest Due August 15/ February 15	Total
2022	\$ 290,000	\$ 166,082	\$ 456,082
2023	295,000	163,594	458,594
2024	305,000	160,741	465,741
2025	315,000	157,326	472,326
2026	325,000	153,243	478,243
2027	335,000	148,453	483,453
2028	350,000	142,969	492,969
2029	365,000	136,797	501,797
2030	380,000	129,902	509,902
2031	400,000	122,292	522,292
2032	415,000	113,934	528,934
2033	430,000	104,846	534,846
2034	450,000	94,941	544,941
2035	475,000	84,066	559,066
2036	500,000	72,116	572,116
2037	525,000	58,333	583,333
2038	555,000	42,835	597,835
2039	590,000	26,404	616,404
2040	625,000	8,969	633,969
	<u>\$ 7,925,000</u>	<u>\$ 2,087,843</u>	<u>\$ 10,012,843</u>

See accompanying independent auditor's report.

