

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of East Montgomery County Improvement District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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 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 supplementary information required by the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 4, 2022

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. 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.

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 four 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 Blended Component Units-Economic Development Zones Fund accounts for sales tax receipts and economic development expenditures within the Zones. 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, 2022**

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"). RSI includes the budgetary comparison schedule for the General Fund. The District has also included various reports and schedules as required by *Government Auditing Standards*.

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 and deferred inflows of resources by \$30,422,966 as of June 30, 2022. The prior period net position was adjusted as discussed in the notes to the financial statements. The following table provides a summary of the District's Statement of Net Position as of June 30, 2022 and June 30, 2021.

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 13,013,867	\$ 9,390,894	\$ 3,622,973
Capital Assets (Net of Accumulated Depreciation)	<u>34,127,994</u>	<u>21,484,718</u>	<u>12,643,276</u>
Total Assets	<u>\$ 47,141,861</u>	<u>\$ 30,875,612</u>	<u>\$ 16,266,249</u>
Deferred Outflows of Resources	<u>\$ 852,760</u>	<u>\$ 902,458</u>	<u>\$ (49,698)</u>
Bonds and Notes Payable	\$ 11,869,888	\$ 7,925,000	\$ (3,944,888)
Other Liabilities	<u>4,705,876</u>	<u>1,762,677</u>	<u>(2,943,199)</u>
Total Liabilities	<u>\$ 16,575,764</u>	<u>\$ 9,687,677</u>	<u>\$ (6,888,087)</u>
Deferred Inflows of Resources	<u>\$ 995,891</u>	<u>\$ -0-</u>	<u>\$ (995,891)</u>
Net Position:			
Net Investment in Capital Assets	\$ 23,211,981	\$ 14,563,086	\$ 8,648,895
Restricted	1,563,709	1,228,665	335,044
Unrestricted	<u>5,647,276</u>	<u>6,298,642</u>	<u>(651,366)</u>
Total Net Position	<u>\$ 30,422,966</u>	<u>\$ 22,090,393</u>	<u>\$ 8,332,573</u>

The prior period net position was adjusted as discussed in the notes to the financial statements. The following table provides a summary of the District's operations for the years ended June 30, 2022, and June 30, 2021.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Sales and Hotel Tax Revenues	\$ 19,816,667	\$ 16,581,219	\$ 3,235,448
Grants and Reimbursements	1,137,281	1,321,133	(183,852)
Rents, Events and Other Revenues	<u>1,927,470</u>	<u>919,979</u>	<u>1,007,491</u>
Total Revenues	<u>\$ 22,881,418</u>	<u>\$ 18,822,331</u>	<u>\$ 4,059,087</u>
Total Expenses	<u>14,548,845</u>	<u>12,735,060</u>	<u>(1,813,785)</u>
Change in Net Position	\$ 8,332,573	\$ 6,087,271	\$ 2,245,302
Net Position, Beginning of Year	<u>22,090,393</u>	<u>16,003,122</u>	<u>6,087,271</u>
Net Position, End of Year	<u>\$ 30,422,966</u>	<u>\$ 22,090,393</u>	<u>\$ 8,332,573</u>

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2022, were \$8,433,025, an increase of \$742,092 from prior year.

The General Fund fund balance decreased by \$183,445, primarily due to economic development, capital costs, administrative costs and transfers out being greater than sales tax revenues, proceeds from the sale of land and note proceeds.

The Blended Component Units include the activities of the Economic Development Zone Nos. 1, 2, 3 and 4. This fund balance increased by \$591,158 primarily due to sales tax revenues and transfers which exceeded current year economic development expenditures.

The Debt Service Fund fund balance increased by \$334,174 primarily due to the structure of the District's outstanding debt and transfers from the General Fund.

The Capital Projects Fund fund balance increased by \$205 due to investment revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$2,749,826 more than budgeted revenues, actual expenditures were \$7,007,296 more than budgeted expenditures, and other financing sources exceeded budgeted amounts by \$2,809,025 which resulted in a negative variance of \$1,448,445. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of June 30, 2022, total \$34,127,994 (net of accumulated depreciation) and include land, buildings, equipment and detention facilities. Current year activity included the purchase and sale of land. In addition, construction in progress includes the Industrial Park expansion, planning and drainage reports, Industrial Park Office Building, Convention Center design, and building improvements.

Capital Assets At Year-End			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 14,394,774	\$ 9,451,606	\$ 4,943,168
Construction in Progress	9,692,549	1,583,786	8,108,763
Capital Assets Subject to Depreciation:			
Buildings and Equipment	13,859,652	13,826,865	32,787
Detention Facilities	1,321,133	1,321,133	
Less Accumulated Depreciation	(5,140,114)	(4,698,672)	(441,442)
Total Net Capital Assets	\$ 34,127,994	\$ 21,484,718	\$ 12,643,276

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

LEASE RECEIVABLE

In accordance with GASB Statement No. 87, the District recorded a lease receivable for property leased by the District. The District, as lessor, has recorded a lease receivable balance of \$1,034,433 and deferred inflows of resources related to future lease revenues of \$995,891. See the accompanying notes to the financial statements for further information.

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of \$7,635,000. 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. The changes in bonds payable during the fiscal year ended June 30, 2022, are summarized in the following table:

Bond Debt Payable, July 1, 2021	\$	7,925,000
Less: Bond Principal Paid		<u>290,000</u>
Bond Debt Payable, June 30, 2022	\$	<u>7,635,000</u>

The District's notes payable balance totaled \$4,234,888 as of June 30, 2022. The changes in notes payable during the fiscal year ended June 30, 2022, are summarized in the following table:

Notes Payable, July 1, 2021	\$	- 0 -
Add: Notes Issued		4,241,300
Less: Note Principal Paid		<u>6,412</u>
Notes Payable, June 30, 2022	\$	<u>4,234,888</u>

The District also recorded a grant payable to Montgomery County Emergency Services District No. 7 with a balance of \$1,097,621 as of June 30, 2022. See the accompanying notes for further disclosure.

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, 2022**

	General Fund	Blended Component Units
ASSETS		
Cash	\$ 3,600,875	\$ 669,005
Investments	1,922,875	
Receivables:		
Sales Taxes	3,402,060	3,272
Grant Revenues	619,677	
Lease Receivable, Due Within One Year		
Lease Receivable, Due After One Year		
Other	35,000	
Due From Other Funds	202,783	229,798
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 9,783,270	\$ 902,075
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,783,270	\$ 902,075

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 199,200	\$ 474	\$ 4,469,554	\$	\$ 4,469,554
1,426,355	100,641	3,449,871		3,449,871
		3,405,332		3,405,332
		619,677		619,677
			308,058	308,058
			726,375	726,375
		35,000		35,000
		432,581	(432,581)	
			14,394,774	14,394,774
			9,692,549	9,692,549
			10,040,671	10,040,671
<u>\$ 1,625,555</u>	<u>\$ 101,115</u>	<u>\$ 12,412,015</u>	<u>\$ 34,729,846</u>	<u>\$ 47,141,861</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 852,760</u>	<u>\$ 852,760</u>
<u>\$ 1,625,555</u>	<u>\$ 101,115</u>	<u>\$ 12,412,015</u>	<u>\$ 35,582,606</u>	<u>\$ 47,994,621</u>

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

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2022

	General Fund	Blended Component Units
LIABILITIES		
Accounts Payable	\$ 3,546,086	\$ 323
Accrued Interest Payable		
Due to Other Funds	229,798	202,783
Long-Term Liabilities:		
Grant Payable, Due Within One Year		
Grant Payable, Due After One Year		
Notes Payable, Due Within One Year		
Notes Payable, Due After One Year		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 3,775,884	\$ 203,106
 DEFERRED INFLOWS OF RESOURCES		
Lease Revenues	\$ -0-	\$ -0-
 FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		
Unassigned	6,007,386	698,969
TOTAL FUND BALANCES	\$ 6,007,386	\$ 698,969
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,783,270	\$ 902,075
 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.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$	\$ 3,546,409	\$	\$ 3,546,409
		432,581	61,846 (432,581)	61,846
			111,955	111,955
			985,666	985,666
			846,790	846,790
			3,388,098	3,388,098
			295,000	295,000
			7,340,000	7,340,000
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,978,990</u>	<u>\$ 12,596,774</u>	<u>\$ 16,575,764</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 995,891</u>	<u>\$ 995,891</u>
\$	\$ 101,115	\$ 101,115	\$ (101,115)	\$
1,625,555		1,625,555	(1,625,555)	
		6,706,355	(6,706,355)	
<u>\$ 1,625,555</u>	<u>\$ 101,115</u>	<u>\$ 8,433,025</u>	<u>\$ (8,433,025)</u>	<u>\$ - 0 -</u>
<u>\$ 1,625,555</u>	<u>\$ 101,115</u>	<u>\$ 12,412,015</u>		
			\$ 23,211,981	\$ 23,211,981
			1,563,709	1,563,709
			5,647,276	5,647,276
			<u>\$ 30,422,966</u>	<u>\$ 30,422,966</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, 2022**

Total Fund Balances - Governmental Funds \$ 8,433,025

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 deferred outflows of resources 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. 852,760

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 34,127,994

Leases receivable and the corresponding deferred inflows of resources are reported in the government-wide financial statements in accordance with auditing standards. 38,542

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	\$ (61,846)	
Grant Payable	(1,097,621)	
Notes Payable	(4,234,888)	
Bonds Payable	<u>(7,635,000)</u>	<u>(13,029,355)</u>

Total Net Position - Governmental Activities \$ 30,422,966

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, 2022**

	General Fund	Blended Component Units
REVENUES		
Sales Taxes	\$ 18,254,192	\$ 1,210,117
Hotel/Motel Taxes	352,358	
Grant Revenues	1,137,281	
Land Sales	759,609	
Event Revenues	323,888	
Interest, Rents and Other Revenues	597,029	647
TOTAL REVENUES	\$ 21,424,357	\$ 1,210,764
EXPENDITURES/EXPENSES		
Service Operations:		
Programs:		
Community Development	\$ 4,455,171	\$
Economic Development	2,377,184	1,653,943
Scholarships	500,000	
Administrative:		
Professional Fees	213,710	4,280
Salaries and Benefits	1,429,666	
Advertising	133,757	
Computers and Software	119,695	
Travel and Training	272,517	
Other	360,997	2,370
Building	1,131,253	
Depreciation		
Capital Outlay	13,276,136	
Debt Service:		
Bond and Note Principal Retirements	6,412	
Bond and Note Interest	140,329	
TOTAL EXPENDITURES/EXPENSES	\$ 24,416,827	\$ 1,660,593
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ (2,992,470)	\$ (449,829)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (1,826,943)	\$ 1,040,987
Reimbursement - East Montgomery County MUD No. 3	394,668	
Loan Proceeds	4,241,300	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 2,809,025	\$ 1,040,987
NET CHANGE IN FUND BALANCES	\$ (183,445)	\$ 591,158
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2021, AS ADJUSTED	6,190,831	107,811
FUND BALANCES/NET POSITION - JUNE 30, 2022	\$ 6,007,386	\$ 698,969

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$	\$ 19,464,309	\$	\$ 19,464,309
		352,358		352,358
		1,137,281		1,137,281
		759,609	(191,418)	568,191
		323,888		323,888
<u>4,300</u>	<u>205</u>	<u>602,181</u>	<u>433,210</u>	<u>1,035,391</u>
<u>\$ 4,300</u>	<u>\$ 205</u>	<u>\$ 22,639,626</u>	<u>\$ 241,792</u>	<u>\$ 22,881,418</u>
\$	\$	\$ 4,455,171	\$ 1,071,967	\$ 5,527,138
		4,031,127		4,031,127
		500,000		500,000
		217,990		217,990
		1,429,666		1,429,666
		133,757		133,757
		119,695		119,695
		272,517		272,517
		363,367		363,367
		1,131,253		1,131,253
			441,442	441,442
		13,276,136	(13,276,136)	
290,000		296,412	(296,412)	
<u>166,082</u>		<u>306,411</u>	<u>74,482</u>	<u>380,893</u>
<u>\$ 456,082</u>	<u>\$ -0-</u>	<u>\$ 26,533,502</u>	<u>\$ (11,984,657)</u>	<u>\$ 14,548,845</u>
<u>\$ (451,782)</u>	<u>\$ 205</u>	<u>\$ (3,893,876)</u>	<u>\$ 12,226,449</u>	<u>\$ 8,332,573</u>
\$ 785,956	\$	\$	\$	\$
		394,668	(394,668)	
		<u>4,241,300</u>	<u>(4,241,300)</u>	
<u>\$ 785,956</u>	<u>\$ -0-</u>	<u>\$ 4,635,968</u>	<u>\$ (4,635,968)</u>	<u>\$ -0-</u>
\$ 334,174	\$ 205	\$ 742,092	\$ (742,092)	\$
			8,332,573	8,332,573
<u>1,291,381</u>	<u>100,910</u>	<u>7,690,933</u>	<u>14,399,460</u>	<u>22,090,393</u>
<u>\$ 1,625,555</u>	<u>\$ 101,115</u>	<u>\$ 8,433,025</u>	<u>\$ 21,989,941</u>	<u>\$ 30,422,966</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, 2022**

Net Change in Fund Balances - Governmental Funds	\$	742,092
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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.		(441,442)
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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.		12,051,293
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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.		296,412
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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.		(74,482)
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Governmental funds report loan proceeds as other financing sources. Loans increase long-term liabilities in the Statement of Net Position.		<u>(4,241,300)</u>
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Change in Net Position - Governmental Activities	\$	<u>8,332,573</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, 2022

NOTE 1. CREATION AND PURPOSE OF THE DISTRICT

East Montgomery County Improvement District of Montgomery County, Texas, is a government agency, body politic and corporate and political subdivision of the State of Texas, located 20 miles northeast of downtown Houston along U.S. Highway 59/I-69 in eastern Montgomery County, Texas. The District was created pursuant to special legislation, which is codified at Chapter 3846, Texas Special District Local Laws Code. 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 territory of the District is coextensive with the territory 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 or after September 1, 2001, that is located in Harris County. The District is governed by an eight-member Board of Directors and employs permanent staff, which includes a President/CEO.

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 scholarships to high school graduates, 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.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. CREATION AND PURPOSE OF THE DISTRICT (Continued)

The District owns and operates facilities and buildings which house the District's offices as well as offices used by other entities. These buildings are 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 and has plans for additional office/public facility building development in the future.

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.

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.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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. 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.

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 four 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 and motel tax receipts, economic development expenditures, and general operating expenditures.

Blended Component Units – To account for sales tax receipts and economic development expenditures within the East Montgomery County Economic Development Zone Nos. 1, 2, 3 and 4.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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.

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. The General Fund transferred \$785,956 to the Debt Service Fund to provide for debt service on the outstanding bonds. The General Fund transferred \$1,040,987 to the Blended Component Units to fund construction costs. As of year end, the General Fund owed the Blended Component Units \$229,798 for construction costs and the Blended Component Units owed the General Fund \$202,783 for prior year operating advances.

Capital Assets

Capital assets, which include land, buildings, detention facilities, equipment, 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 over periods ranging from 7 to 40 years.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 budgeted 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.

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.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has no 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.

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. BONDS PAYABLE

The District's bonds payable at June 30, 2022, consist of the following:

	<u>Series 2020 Taxable Sales Tax Revenue Refunding Bonds</u>
Amount Outstanding - June 30, 2022	\$ 7,635,000
Interest Rates	0.80% - 2.87%
Maturity Dates – Serially Beginning/Ending	August 15, 2022/2039
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.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3. BONDS PAYABLE (Continued)

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2022:

	July 1, 2021	Additions	Retirements	June 30, 2022
Bonds Payable	\$ 7,925,000	\$ -0-	\$ 290,000	\$ 7,635,000
			Amount Due Within One Year	\$ 295,000
			Amount Due After One Year	<u>7,340,000</u>
			Bonds Payable, Net	<u>\$ 7,635,000</u>

As of June 30, 2022, the debt service requirements on the bonds outstanding were as follows:

S E R I E S - 2 0 2 0 R E F U N D I N G			
Due During Fiscal Years Ending June 30	Principal Due August 15	Interest Due August 15/ February 15	Total
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	<u>625,000</u>	<u>8,969</u>	<u>633,969</u>
	<u>\$ 7,635,000</u>	<u>\$ 1,921,761</u>	<u>\$ 9,556,761</u>

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3. BONDS PAYABLE (Continued)

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.

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.

NOTE 4. NOTES PAYABLE

During the current fiscal year, the District executed a note payable for the purchase of land for \$755,300 which accrues interest at 6.50% (paid semi-annually). The note matures on December 9, 2023, and has a current balance of \$755,300.

During the current fiscal year, the District executed a note payable for the purchase of land for \$784,000 which accrues interest at 4.35% (paid semi-annually). The note matures on April 15, 2023, and has a current balance of \$784,000.

During the current fiscal year, the District executed a note payable for the purchase of land for \$1,404,000 which accrues interest at 6.50% (paid semi-annually). The note matures on March 5, 2024, and has a current balance of \$1,404,000.

During the current fiscal year, the District executed a note payable for the purchase of land for \$600,000 which accrues interest at 4.35% with principal and interest paid in monthly installments of \$4,565. The note matures on May 22, 2027, and has a current balance of \$595,356.

During the current fiscal year, the District executed a note payable for the purchase of land for \$698,000 which accrues interest at 4.35% with principal and interest paid in monthly installments of \$5,311. The note matures on June 10, 2027, and has a current balance of \$696,232.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4. NOTES PAYABLE (Continued)

The following is a summary of transactions regarding notes payable for the year ended June 30, 2022:

	July 1, 2021	Additions	Retirements	June 30, 2022
Notes Payable	<u>\$ -0-</u>	<u>\$ 4,241,300</u>	<u>\$ 6,412</u>	<u>\$ 4,234,888</u>
		Amount Due Within One Year		\$ 846,790
		Amount Due After One Year		<u>3,388,098</u>
		Notes Payable, Net		<u>\$ 4,234,888</u>

As of June 30, 2022, the debt service requirements on the notes outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 846,790	\$ 219,642	\$ 1,066,432
2024	2,224,771	122,529	2,347,300
2025	68,563	49,942	118,505
2026	68,352	44,843	113,195
2027	<u>1,026,412</u>	<u>39,890</u>	<u>1,066,302</u>
	<u>\$ 4,234,888</u>	<u>\$ 476,846</u>	<u>\$ 4,711,734</u>

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 \$4,469,554 and the bank balance was \$4,651,367. The District was not exposed to custodial credit risk at year-end.

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits as of June 30, 2022, are summarized in the following table:

	Cash
GENERAL FUND	\$ 3,600,875
BLENDED COMPONENT UNITS	669,005
DEBT SERVICE FUND	199,200
CAPITAL PROJECTS FUND	474
TOTAL DEPOSITS	\$ 4,469,554

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. 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 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. UMB 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.

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2022, the District had the following investments and maturities:

<u>Funds and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
Texas CLASS	\$ 1,922,875	\$ 1,922,875
<u>DEBT SERVICE FUND</u>		
Texas CLASS	1,426,355	1,426,355
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>100,641</u>	<u>100,641</u>
TOTAL INVESTMENTS	<u>\$ 3,449,871</u>	<u>\$ 3,449,871</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2022, the District's investments in Texas CLASS were rated "AAAm" by Standard and Poor's.

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 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.

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 or construction of capital assets.

All cash and investments of the Blended Component Units are restricted for the activities related to the East Montgomery County Improvement District Economic Development Zone Nos. 1, 2, 3 and 4.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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. DEPARTMENT OF COMMERCE GRANT

On January 22, 2018, the United States Department of Commerce's Economic Development Administration ("EDA") awarded federal assistance to the District in the amount of \$1,500,000 for the design and construction of a business center building in the East Montgomery County Industrial Park. The grant pays 80% of eligible costs up to a maximum of \$1,500,000. The District is responsible for the other 20% plus any amounts over the original estimated project cost of \$1,875,000, or at least \$375,000 in matching funds. As of June 30, 2022, the District has been reimbursed EDA grant monies totaling \$1,253,511, of which \$1,137,281 relates to the current year.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions 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 9. 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, 2022

NOTE 10. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, are summarized in the following table:

	July 1, 2021	Increases	Decreases	June 30, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 9,451,606	\$ 5,134,587	\$ 191,419	\$ 14,394,774
Construction in Progress	<u>1,583,786</u>	<u>10,332,837</u>	<u>2,224,074</u>	<u>9,692,549</u>
Total Capital Assets Not Being Depreciated	<u>\$ 11,035,392</u>	<u>\$ 15,467,424</u>	<u>\$ 2,415,493</u>	<u>\$ 24,087,323</u>
Capital Assets Subject to Depreciation				
Buildings and Equipment	\$ 13,826,865	\$ 32,787	\$	\$ 13,859,652
Detention Facilities	<u>1,321,133</u>	<u></u>	<u></u>	<u>1,321,133</u>
Total Capital Assets Subject to Depreciation	<u>\$ 15,147,998</u>	<u>\$ 32,787</u>	<u>\$ - 0 -</u>	<u>\$ 15,180,785</u>
Accumulated Depreciation				
Buildings and Equipment	\$ 4,638,316	\$ 408,414	\$	\$ 5,046,730
Detention Facilities	<u>60,356</u>	<u>33,028</u>	<u></u>	<u>93,384</u>
Total Accumulated Depreciation	<u>\$ 4,698,672</u>	<u>\$ 441,442</u>	<u>\$ - 0 -</u>	<u>\$ 5,140,114</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,449,326</u>	<u>\$ (408,655)</u>	<u>\$ - 0 -</u>	<u>\$ 10,040,671</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,484,718</u>	<u>\$ 15,058,769</u>	<u>\$ 2,415,493</u>	<u>\$ 34,127,994</u>

NOTE 11. LEASE RECEIVABLE

The District, as the lessor, has entered into a Commercial Property Lease with a tenant which is required to be recorded in the financial statements in accordance with the newly effective GASB No. 87 standard. Monthly lease payments range from \$23,730 to \$31,640 over the course of the 60-month lease which extends through July 31, 2025, and accrues interest at 8% annually.

The changes in lease receivable during the current fiscal year are summarized in the following table:

Lease Receivable, July 1, 2021	\$ 1,318,882
Less: Lease Principal Received	<u>(284,449)</u>
Lease Receivable, June 30, 2022	<u>\$ 1,034,433</u>

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11. LEASE RECEIVABLE (Continued)

Future payments to be received by the District under the terms of the lease are summarized in the following table:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 308,058	\$ 71,622	\$ 379,680
2024	333,627	46,053	379,680
2025	361,318	18,362	379,680
2026	31,430	210	31,640
	<u>\$1,034,433</u>	<u>\$ 136,247</u>	<u>\$1,170,680</u>

Deferred inflows of resources related to lease revenues was \$1,318,882 as of the beginning of the current fiscal year (the date of implementation of GASB No. 87). The District recognized lease revenue of \$322,991 during the current fiscal year which resulted in a year-end balance for deferred inflows of resources of \$995,891.

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 year, District No. 3 reimbursed \$394,668 to the District.

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 \$1,635,916 to ESD No. 6, of which \$937,945 was included in accounts payable at year-end.

Agreements 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. ESD No. 7 uses these resources to provide expanded emergency services within its boundaries. In the current fiscal year, the District made payments totaling \$930,398 to ESD No. 7, of which \$462,114 was included in accounts payable at year-end.

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

Agreements with Montgomery County Emergency Services District No. 7 (Continued)

The District executed a fire truck funding agreement with ESD No. 7 whereby the District agreed to provide funding to ESD No. 7 of \$1,352,790 which is to be used by ESD No. 7 to pay the principal and interest on ESD No. 7's loan for the purchase of a fire truck. The grant will be paid in 10 equal annual installments of \$135,279 which includes both principal and interest accruing at 2.125%. The District made the first of 10 payments to ESD No. 7 during the current fiscal year which left a remaining balance of \$1,097,621. The following table summarizes the remaining payments to be made under the terms of the grant:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 111,955	\$ 23,324	\$ 135,279
2024	114,334	20,945	135,279
2025	116,763	18,516	135,279
2026	119,244	16,035	135,279
2027	121,778	13,501	135,279
2028-2031	<u>513,547</u>	<u>27,569</u>	<u>541,116</u>
	<u>\$ 1,097,621</u>	<u>\$ 119,890</u>	<u>\$ 1,217,511</u>

NOTE 13. PRIOR PERIOD ADJUSTMENT

The District increased its beginning Net Position and Debt Service Fund fund balance by \$219,028 to correct a prior period overstatement of interest paid by the District related to the Series 2009 Bonds which were refunded in the prior fiscal year. This resulted in a beginning Net Position balance of \$22,090,393 and a beginning Debt Service Fund fund balance of \$1,291,381.

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EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2022

**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, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales Tax Revenues	\$ 16,269,779	\$ 18,254,192	\$ 1,984,413
Hotel and Motel Tax Revenues	199,828	352,358	152,530
Grant Revenues	1,200,000	1,137,281	(62,719)
Land Sales	400,000	759,609	359,609
Event Revenues	225,000	323,888	98,888
Interest, Rents and Other Revenues	<u>379,924</u>	<u>597,029</u>	<u>217,105</u>
TOTAL REVENUES	<u>\$ 18,674,531</u>	<u>\$ 21,424,357</u>	<u>\$ 2,749,826</u>
EXPENDITURES			
Service Operations:			
Programs:			
Community Development:			
ESD No. 6 and ESD No. 7 Donations	\$ 2,260,806	\$ 2,566,314	\$ (305,508)
Legal Fees	46,236	14,744	31,492
Special Events	1,549,000	1,620,764	(71,764)
Grants	<u>400,000</u>	<u>253,349</u>	<u>146,651</u>
Total Community Development Expenditures	<u>\$ 4,256,042</u>	<u>\$ 4,455,171</u>	<u>\$ (199,129)</u>
Economic Development	<u>\$ 2,335,744</u>	<u>\$ 2,377,184</u>	<u>\$ (41,440)</u>
Scholarships	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ -0-</u>
Administrative:			
Salaries	\$ 1,855,098	\$ 1,429,666	\$ 425,432
Mileage	7,692	7,761	(69)
Dues/Professional Memberships	50,850	32,243	18,607
Election Expense	40,000	43,332	(3,332)
Subscriptions	8,400	7,955	445
Office Equipment Lease	10,164	8,016	2,148
Computers/Software	115,500	119,695	(4,195)
Travel and Training	320,000	272,517	47,483
Professional Fees	261,986	213,710	48,276
Advertising	120,000	133,757	(13,757)
Accounting	52,116	55,845	(3,729)
Supplies	23,604	16,894	6,710
Printing	85,400	102,708	(17,308)
Delivery Fees	6,000	17,047	(11,047)
Postage	55,000	23,005	31,995
Telephone	30,720	11,400	19,320
Miscellaneous	<u>1,998</u>	<u>34,791</u>	<u>(32,793)</u>

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, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)			
TOTAL EXPENDITURES	\$ 17,409,531	\$ 24,416,827	\$ (7,007,296)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,265,000	\$ (2,992,470)	\$ (4,257,470)
OTHER FINANCING SOURCES(USES)			
Loan Proceeds	\$	\$ 4,241,300	\$ 4,241,300
Reimbursement - East Montgomery County MUD No. 3		394,668	394,668
Transfers Out		(1,826,943)	(1,826,943)
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 2,809,025	\$ 2,809,025
NET CHANGE IN FUND BALANCE	\$ 1,265,000	\$ (183,445)	\$ (1,448,445)
FUND BALANCE - JULY 1, 2021	<u>6,190,831</u>	<u>6,190,831</u>	<u> </u>
FUND BALANCE - JUNE 30, 2022	<u>\$ 7,455,831</u>	<u>\$ 6,007,386</u>	<u>\$ (1,448,445)</u>

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

**SUPPLEMENTARY INFORMATION –
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

JUNE 30, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of East Montgomery County Improvement District ("the District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 4, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Directors
East Montgomery County Improvement District

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 4, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Montgomery County Improvement District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston Texas

November 4, 2022

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
United States Department of Commerce: <i>Economic Development Cluster:</i>			
Economic Adjustment Assistance	11.307	Federal Award ID Number 08-79-05300; URI: 113150	<u>\$ 1,137,281</u>

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal award includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2. DEPARTMENT OF COMMERCE GRANT

On January 22, 2018, the United States Department of Commerce's Economic Development Administration ("EDA") awarded Economic Assistance federal assistance to the District in the amount of \$1,500,000 for the design and construction of a business center building in the East Montgomery County Industrial Park. The grant pays 80% of eligible costs up to a maximum of \$1,500,000. The District is responsible for the other 20% plus any amounts over the original estimated project cost of \$1,875,000, or at least \$375,000 in matching funds. As of June 30, 2022, the District has been reimbursed EDA grant monies totaling \$1,253,511, of which \$1,137,281 relates to the current year.

NOTE 3. MATCHING COSTS

Matching Costs, the nonfederal share of certain program costs, are not included on the Schedule.

NOTE 4. INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
 _____ yes X no
- Significant deficiencies(s) identified that are not considered to be material weaknesses?
 _____ yes X None reported
- Noncompliance material to financial statements noted?
 _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
 _____ yes X no
- Significant deficiencies(s) identified that are not considered to be material weakness(es)?
 yes X None reported
- Type of auditor’s report issued on compliance for major programs: Unmodified
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 of Uniform Guidance _____ yes X no

See accompanying independent auditor’s report.

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

**11.307 Department of Commerce's Economic Development Administration Economic Development
Cluster Economic Adjustment Assistance**

Dollar threshold used to distinguish

between type A and type B programs: \$750,000

Audited Qualified as low-risk auditee? yes no

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section II — Financial Statement Findings

None

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section III — Federal Award Findings and Questioned Costs

None

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

None

