

OFFICIAL STATEMENT DATED AUGUST 29, 2024

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "LEGAL MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The Bonds are not "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book Entry Only

S&P Global Ratings (AG Insured) "AA"

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 4

(A Political Subdivision of the State of Texas, located within Harris and Waller Counties)

\$15,770,000
Contract Revenue Bonds
Series 2024

\$16,395,000
Contract Revenue Road Bonds
Series 2024

Dated: September 1, 2024

Interest Accrues from: Date of Delivery

Due: November 1, as shown on inside cover

The \$15,770,000 Contract Revenue Bonds, Series 2024 (the "System Bonds"), and the \$16,395,000 Contract Revenue Road Bonds, Series 2024 (the "Road Bonds," and together with the System Bonds, the "Bonds"), are special obligations of Harris-Waller Counties Municipal Utility District No. 4 (the "Regional District") payable solely from and to the extent of payments contractually required of Harris-Waller Counties Municipal Utility District No. 4, Harris-Waller Counties Municipal Utility District No. 5, Waller County Municipal Utility District No. 37, Harris County Municipal Utility District No. 569, and Waller County Municipal Utility District No. 35 (collectively, the "Participants") within the Service Area (herein defined) from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant on all taxable property within the boundaries of each respective Participant or from other revenues lawfully available to such Participant (the "Contract Payments"). Payment of the Contract Payments by the Participants and use of such proceeds by the Regional District to pay debt service on the Bonds is governed by the Regional District Contract (herein defined) as described more fully under "REGIONAL DISTRICT CONTRACT." The Bonds are special obligations of the Regional District payable solely from the Contract Payments and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Houston, Texas; any of the Participants (except the Regional District); or any entity other than the Regional District.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are dated September 1, 2024 (the "Dated Date"), and will accrue interest from the initial date of delivery, which is expected to be on or about September 26, 2024 (the "Date of Delivery"), with interest payable May 1, 2025, and on each November 1 and May 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on inside cover.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate insurance policies to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC.**



The Bonds, when issued, will constitute valid and legally binding obligations of the Regional District and will be payable from the Contract Payments, as further described herein. See "THE BONDS – Source of Payment."

Investment in the Bonds is subject to certain risk factors as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "RISK FACTORS," before making an investment decision. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as and if issued by the Regional District and accepted by the winning bidders for the Bonds (the "Initial Purchasers"), subject to the approval of the Attorney General of Texas and of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about September 26, 2024.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS

\$15,770,000 Contract Revenue Bonds, Series 2024

\$14,605,000 Serial Bonds

Maturity (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41464C (b)	Maturity (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41464C (b)
2026	\$340,000	6.500%	3.400%	EE2	2039 (c)	\$625,000	4.000%	4.050%	ET9
2027	360,000	6.500%	3.400%	EF9	2040 (c)	655,000	4.000%	4.100%	EU6
2028	375,000	6.500%	3.400%	EG7	2041 (c)	685,000	4.000%	4.140%	EV4
2029	395,000	6.500%	3.400%	EH5	2042 (c)	720,000	4.000%	4.180%	EW2
2030	410,000	6.500%	3.400%	EJ1	2043 (c)	755,000	4.000%	4.220%	EX0
2031 (c)	430,000	4.250%	3.450%	EK8	2044 (c)	790,000	4.000%	4.240%	EY8
2032 (c)	450,000	4.000%	3.500%	EL6	2045 (c)	825,000	4.125%	4.260%	EZ5
2033 (c)	475,000	4.000%	3.550%	EM4	2046 (c)	865,000	4.125%	4.280%	FA9
2034 (c)	495,000	4.000%	3.600%	EN2	2047 (c)	905,000	4.125%	4.300%	FB7
2035 (c)	520,000	4.000%	3.700%	EP7	2048 (c)	950,000	4.125%	4.310%	FC5
2036 (c)	545,000	4.000%	3.800%	EQ5	2049 (c)	995,000	4.125%	4.320%	FD3
***	***	***	***	***	2050 (c)	1,040,000	4.125%	4.330%	FE1

\$1,165,000 Term Bond

\$1,165,000 Term Bond Due November 1, 2038 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 41464C ES1 (b)

\$16,395,000 Contract Revenue Road Bonds, Series 2024

\$15,185,000 Serial Bonds

Maturity (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41464C (b)	Maturity (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41464C (b)
2026	\$355,000	6.500%	3.400%	FF8	2039 (c)	\$650,000	4.000%	4.050%	FU5
2027	375,000	6.500%	3.400%	FG6	2040 (c)	680,000	4.000%	4.100%	FV3
2028	390,000	6.500%	3.400%	FH4	2041 (c)	715,000	4.000%	4.140%	FW1
2029	410,000	6.500%	3.400%	FJ0	2042 (c)	745,000	4.000%	4.180%	FX9
2030	430,000	6.500%	3.400%	FK7	2043 (c)	780,000	4.000%	4.220%	FY7
2031 (c)	450,000	4.125%	3.450%	FL5	2044 (c)	820,000	4.000%	4.240%	FZ4
2032 (c)	470,000	4.000%	3.500%	FM3	2045 (c)	860,000	4.125%	4.260%	GA8
2033 (c)	490,000	4.000%	3.550%	FN1	2046 (c)	900,000	4.125%	4.280%	GB6
2034 (c)	515,000	4.000%	3.600%	FP6	2047 (c)	940,000	4.125%	4.300%	GC4
2035 (c)	540,000	4.000%	3.700%	FQ4	2048 (c)	985,000	4.125%	4.310%	GD2
2036 (c)	565,000	4.000%	3.800%	FR2	2049 (c)	1,035,000	4.125%	4.320%	GEO
***	***	***	***	***	2050 (c)	1,085,000	4.125%	4.330%	GF7

\$1,210,000 Term Bond

\$1,210,000 Term Bond Due November 1, 2038 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 41464C FT8 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on November 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the Regional District, in whole or from time to time in part on November 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on November 1 in the years and in the amounts as set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information, or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Regional District or the Initial Purchasers.

All of the summaries of the statutes, resolutions, orders, contracts, audits, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Regional District or other matters described herein since the date hereof. The Regional District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the Regional District and to the extent such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Initial Purchasers and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement."

Assured Guaranty Inc. ("AG") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the System Bonds, the Regional District has accepted the bid resulting in the lowest net effective interest rate to the Regional District, which was tendered by SAMCO Capital Markets, Inc. (the "System Bond Initial Purchaser") to purchase the System Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 97.009262% of the par value thereof, which resulted in a net effective interest rate of 4.324306%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Road Bonds, the Regional District has accepted the bid resulting in the lowest net effective interest rate to the Regional District, which was tendered by SAMCO Capital Markets, Inc. (the "Road Bond Initial Purchaser," and together with the System Bond Initial Purchaser, the "Initial Purchasers") to purchase the Road Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 97.003542% of the par value thereof, which resulted in a net effective interest rate of 4.323547%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The Regional District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

The delivery of the Bonds is conditioned upon the receipt by the Regional District of a certificate executed and delivered by the Initial Purchasers on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, dealer, or similar person or organization acting in the capacity of underwriter or wholesaler. Otherwise, the Regional District has no understanding with the Initial Purchasers regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchasers.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchasers after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933 in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The Regional District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

Delivery of Official Statements

The Regional District shall furnish to the Initial Purchasers (and to each participating underwriter of the Bonds, within the meaning of the Rule, designated by the Initial Purchasers), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the Regional District and the Initial Purchasers. The Regional District also shall furnish to the Initial Purchasers a like number of any supplements or amendments approved and authorized for distribution by the Regional District for dissemination to potential underwriters of the Bonds, as well as such additional copies of this Official Statement or any such supplements or amendments as the Initial Purchasers may reasonably request prior to the 90th day after the end of the underwriting period described in the Rule. The Regional District shall pay the expense of preparing the number of copies of this Official Statement agreed upon between the Regional District and the Initial Purchasers and an equal number of any supplements or amendments issued on or before the delivery date, but the Initial Purchasers shall pay for all other copies of this Official Statement or any supplement or amendment thereto.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG”) will issue its separate Municipal Bond Insurance Policy for each series of the Bonds (each a “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG’s financial strength rating of “AA” (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG’s financial strength rating of “AA” (stable outlook).

On October 20, 2023, KBRA announced it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook). On August 1, 2024, KBRA commented that, following the closing of the Merger, AG’s insurance financial strength rating of “AA+” (stable outlook) remains unchanged.

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Capitalization of AG, AGM and Pro Forma Combined AG

As of June 30, 2024
(dollars in millions)

	AG (Actual)	AGM (Actual)	AG (Pro Forma Combined)
Policyholders' surplus	\$1,649	\$2,599	\$3,960 ⁽¹⁾
Contingency reserve	\$421	\$910	\$1,331
Net unearned premium reserves and net deferred ceding commission income	\$355	\$2,078 ⁽²⁾	\$2,433 ⁽²⁾

⁽¹⁾Net of intercompany eliminations.

⁽²⁾Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM or pro forma combined AG, as applicable, and (ii) the net unearned premium reserves and net deferred ceding commissions of Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserves, and net unearned premium reserves and net deferred ceding commission income of AG, AGM, and the pro forma combined AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG and AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (filed by AGL with the SEC on February 28, 2024); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (filed by AGL with the SEC on May 8, 2024); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (filed by AGL with the SEC on August 8, 2024).

All information relating to AG and AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8 K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG and AGM included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "MUNICIPAL BOND INSURANCE."

MUNICIPAL BOND RATING

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P solely in reliance upon the issuance and delivery of the Policy by AG at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The District is not aware of any rating assigned to the Bonds other than the rating discussed above.

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OFFICIAL STATEMENT SUMMARY

The following is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein. A full review should be made of this entire Official Statement and of the documents summarized or described herein.

THE BONDS

The IssuerHarris-Waller Counties Municipal Utility District No. 4 (the "Regional District" or, in its capacity as a Participant (herein defined), "MUD 4"), a political subdivision of the State of Texas, is located in Harris and Waller Counties, Texas. See "THE REGIONAL DISTRICT."

The Bonds.....The \$15,770,000 Contract Revenue Bonds, Series 2024 (the "System Bonds"), and the \$16,395,000 Contract Revenue Road Bonds, Series 2024 (the "Road Bonds," and together with the System Bonds, the "Bonds"), are dated September 1, 2024, and mature on November 1 in the years and in the principal amounts as shown on the inside cover page hereof. The Bonds will accrue interest from the initial date of delivery, which is expected to be on or about September 26, 2024 (the "Date of Delivery"), with interest payable May 1, 2025, and on each November 1 and May 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."

Redemption of the Bonds.....The Bonds that mature on and after November 1, 2031, are subject to redemption, in whole or from time to time in part, on November 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS - Redemption of the Bonds - *Optional Redemption.*"

The System Bonds maturing on November 1, 2026, through November 1, 2036, both inclusive, and November 1, 2039, through November 1, 2050, both inclusive, are serial bonds. The System Bond maturing on November 1 in the year 2038 is a term bond (the "System Term Bond") that is also subject to mandatory sinking fund redemption provisions as set out herein under "THE BONDS - Redemption of the Bonds - *Mandatory Redemption.*"

The Road Bonds maturing on November 1, 2026, through November 1, 2036, both inclusive, and November 1, 2039, through November 1, 2050, both inclusive, are serial bonds. The Road Bond maturing on November 1 in the year 2038 is a term bond (the "Road Term Bond") that is also subject to mandatory sinking fund redemption provisions as set out herein under "THE BONDS - Redemption of the Bonds - *Mandatory Redemption.*"

Book-Entry-Only System.....The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System."

Source of Payment.....Principal of and interest on the Bonds are payable from and secured by payments required of the Participants (herein defined) within the Service Area (herein defined) from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant on all taxable property within the boundaries of each respective Participant or from other revenues lawfully available to such Participant (the "Contract Payments").

The Regional District has established a debt service fund to pay the principal of and interest on the Contract Revenue System Bonds (herein defined),

such as the System Bonds (the "Contract Revenue System Debt Service Fund"). The Regional District has also established a debt service fund (the "Contract Revenue Road Debt Service Fund") to pay the principal of and interest on the Contract Revenue Road Bonds (herein defined), such as the Road Bonds.

Contract Payments by Participants and use of such proceeds by the Regional District to pay debt service on the Bonds is governed by the Contract for Financing, Operation, and Maintenance of Regional Facilities (the "Regional District Contract") which has been entered into by the Regional District and the Participants. By execution of the Regional District Contract, each Participant has agreed to pay a pro rata share of the debt service on the Contract Revenue Bonds (herein defined), including the Bonds and the Outstanding Bonds (herein defined), which share is based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the "Gross Certified Assessed Valuation") of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually.

Each Participant is contractually obligated to make the Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful sources of such Participant's income. No Participant is liable for the payments owed by any other Participant; however, failure of any Participant to make its Contract Payment, as required by the Regional District Contract, could result in an increase in the Contract Payment amount paid by each of the Participants during the time that such Participant's payment is delinquent, as the Participants would have to replenish its respective coverage in the Regional District debt service fund.

The Bonds are special obligations of the Regional District and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Houston, Texas; any of the Participants (except the Regional District in its capacity as the Regional District); or any entity other than the Regional District. See "THE BONDS - Source of Payment," "THE BONDS - Unconditional Obligation to Pay," and "REGIONAL DISTRICT CONTRACT."

Authority for Issuance.....The System Bonds are issued by the Regional District pursuant to the Regional District Contract approved by the voters of each Participant; the terms and conditions of the bond resolution authorizing the issuance of the Bonds (the "System Bond Resolution") adopted by the Board of Directors of the Regional District (the "Board") on the date of sale of the System Bonds; an order of the Texas Commission on Environmental Quality (the "TCEQ"); an election held within the Regional District and passed by a majority of the participating voters; House Bill No. 4520, an act of the 86th Legislature, Regular Session, effective June 10, 2019, and codified as Chapter 8047 of the Special District Local Laws Code (the "Act"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

The Road Bonds are issued by the Regional District pursuant to the Regional District Contract approved by the voters of each Participant; the terms and conditions of the bond resolution authorizing the issuance of the Road Bonds (the "Road Bond Resolution," and together with the System Bond Resolution, the "Bond Resolutions") adopted by the Board on the date of sale

of the Road Bonds; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas; the Act; and an election held within the Regional District and passed by a majority of the participating voters. See “THE BONDS – Authority for Issuance,” “THE BONDS – Issuance of Additional Debt,” “REGIONAL DISTRICT CONTRACT,” and “RISK FACTORS – Future Debt.”

Payment Record	The Regional District has never defaulted on the timely payment of debt service due on its bonded indebtedness.
Outstanding Bonds.....	The Regional District has previously issued four (4) series of contract revenue bonds for financing Regional District Facilities as follows: \$12,480,000 Contract Revenue Bonds, Series 2022, \$10,400,000 Contract Revenue Road Bonds, Series 2022, \$14,250,000 Contract Revenue Bonds, Series 2023, and \$16,085,000 Contract Revenue Road Bonds, Series 2023. As of the Date of Delivery, \$53,215,000 principal amount of such prior issuances of bonds by the Regional District will remain outstanding (the “Outstanding Bonds”).
Short-Term Debt.....	The District issued its \$8,910,000 Bond Anticipation Note, Series 2023 (the “BAN”), dated December 21, 2023. The BAN matures on December 20, 2024, and accrues interest at a rate of 6.17% per annum, calculated on the basis of actual days elapsed. The District will use a portion of the proceeds from the sale of the System Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse Astro Sunterra (herein defined) for a portion of the improvements and related costs shown under “THE BONDS – Use and Distribution of System Bond Proceeds.”
Use of Proceeds of System Bonds	Proceeds from the sale of the System Bonds will be used by the District to redeem the BAN, the proceeds of which were used to reimburse Astro Sunterra for a portion of the improvements and related costs as shown under “THE BONDS – Use and Distribution of System Bond Proceeds.” Additionally, proceeds from the sale of the System Bonds will also be used to reimburse Astro Sunterra for the improvements and related costs that were not reimbursed by the BAN and to pay twelve (12) months of capitalized interest, developer interest, and other certain costs associated with the issuance of the System Bonds. See “THE BONDS – Use and Distribution of System Bond Proceeds.”
Use of Proceeds of Road Bonds.....	Proceeds from the sale of the Road Bonds will be used by the District to reimburse Astro Sunterra for the costs of road improvements and related costs as set forth under “THE BONDS – Use and Distribution of Road Bond Proceeds.” Additionally, proceeds from the sale of the Road Bonds will be used to pay for twelve (12) months of capitalized interest, developer interest, and other certain costs associated with the issuance of the Road Bonds. See “THE BONDS – Use and Distribution of Road Bond Proceeds.”
Not Qualified Tax-Exempt Obligations.....	The Bonds are not “qualified tax-exempt obligations” for financial institutions.
Municipal Bond Insurance.....	ASSURED GUARANTY INC. (“AG”). See “MUNICIPAL BOND INSURANCE.”
Municipal Bond Rating.....	S&P Global Ratings (Insured): “AA” (stable outlook). See “MUNICIPAL BOND RATING.”
Bond Counsel.....	Schwartz, Page & Harding, L.L.P., Houston, Texas.
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Regional District Engineer.....	Quiddity Engineering, LLC, Houston, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

THE REGIONAL DISTRICT

Description.....	The Regional District is a political subdivision of the State of Texas that was created by House Bill No. 4520, an act of the 86 th Legislature, Regular Session, effective June 10, 2019, and codified as Chapter 8047 of the Special District Local Laws Code (the "Act"). The rights, powers, privileges, authority, and functions of the Regional District are established by the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59; Article III, Section 52 of the Texas Constitution; and the Act. See "THE REGIONAL DISTRICT."
Sunterra and the Service Area.....	<p>The Regional District is part of the development of Sunterra, a master-planned community that consists of approximately 2,303.88 total acres comprised of five municipal utility districts: MUD 4, Harris-Waller Counties Municipal Utility District No. 5 ("MUD 5"), Waller County Municipal Utility District No. 37 ("MUD 37"), Harris County Municipal Utility District No. 569 ("MUD 569"), and Waller County Municipal Utility District No. 35 ("MUD 35").</p> <p>MUD 4, in its capacity as the Regional District for the Sunterra development, is the provider of regional water, wastewater, drainage facilities and regional arterial, collector, and thoroughfare roads to the 2,303.88-acre service area ("Service Area") made up of lands within MUD 4 (140.29 acres), MUD 5 (489.32 acres), MUD 37 (410.07 acres), MUD 569 (568.04 acres), and MUD 35 (696.16 acres).</p> <p>A portion of the Service Area is located in Harris County, Texas, and a portion of the Service Area is located in Waller County, Texas, approximately 30 miles from the central business district of the City of Houston, Texas. The Service Area is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas. A portion of the Service Area lies within the Katy Independent School District, and a portion of the Service Area lies within Royal Independent School District.</p>
The Participants.....	<p>MUD 4, MUD 5, MUD 37, MUD 569, and MUD 35 (collectively, the "Participants") have entered into the Regional District Contract with the Regional District. By execution of the Regional District Contract, each Participant is obligated to pay its pro rata share of debt service on bonds issued by the Regional District to finance Regional District Facilities (herein defined), including the Bonds. See "THE BONDS – Issuance of Additional Debt" and "REGIONAL DISTRICT CONTRACT."</p> <p>Each Participant operates under the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 59, Article XVI of the Texas Constitution and is authorized to construct and finance road project as provided under Section 52, Article III of the Texas Constitution. To serve the property within their boundaries, the Participants have the powers to construct, acquire, operate, maintain, and finance water, wastewater, drainage, road, and park and recreational facilities. See "THE PARTICIPANTS."</p>
Development within the Service Area.....	Currently, development activity is either completed or ongoing within the boundaries of all Participants. Within the Service Area, approximately 1,098.53 acres (4,605 lots) have been developed as the single-family residential subdivisions of Sunterra, Sections 1-46, and 48-53. As of May 1, 2024, approximately 2,717 homes were complete (approximately 2,307 occupied and approximately 410 unoccupied), approximately 372 homes were under construction, and approximately 1,516 lots were developed and vacant.
Developers.....	Astro Sunterra, L.P., a Delaware limited partnership ("Astro Sunterra"), is the primary developer of land in the Service Area. Astro Sunterra was

established by Mr. Al Brende and Starwood Land Astro Venture LP as a special purpose entity for the purpose of developing land and marketing developed land within the Service Area. Starwood Land Astro Venture LP has entered into a management agreement with Land Tejas Companies, Ltd. for the purpose of managing the day-to-day development activities within the Service Area.

In addition, Pulte Homes of Texas, L.P., a Texas limited partnership (“Pulte”), is the developer of Sunterra, Sections 10, 12, and 13, HMH Sunterra Land, LLC, a Texas limited liability company (“HMH Sunterra”), is the developer of Sunterra, Sections 18, 19, 20, and 22, and ONML Villas at Sunterra, LLC, a Texas limited liability company (“ONML Villas”), is the developer of Sunterra, Section 21. KB Home Lone Star Inc, a Texas corporation (“KB Home Lone Star”), is the developer of Sunterra, Sections 28 and 48. Brightland Homes, Ltd., a Texas limited partnership (“Brightland Homes”), is the developer of Sunterra, Sections 46 and 47. Beazer Homes Texas, L.P., a Delaware limited partnership (“Beazer Homes”), is the developer of Sunterra, Sections 42–45, 51, and 52 within the Service Area. Astro Sunterra, Pulte, HMH Sunterra, ONML Villas, KB Home Lone Star, Brightland Homes, and Beazer Homes are collectively referred to herein as the “Developers.” See “THE DEVELOPERS.”

Homebuilders within the Service AreaThe homebuilders active within the Service Area are Adams Homes, Anderson Homes, Anglia Homes, Ashton Woods Homes, Beazer Homes, Brightland Homes, CastleRock Communities, Centex Homes, Chesmar Homes, Colina Homes, Davidson Homes, D.R. Horton, Empire, Hamilton Thomas Homes, Highland Homes, HistoryMaker Homes, KB Home, Lennar Homes, LGI Homes, Long Lake, Perry Homes, Pulte Homes, Shea Homes, TriCoast Homes, and Westin Homes. Prices of new homes being constructed within the Service Area range from approximately \$260,000 to \$800,000 and range in size from approximately 1,400 to 4,000 square feet. See “THE REGIONAL DISTRICT – Homebuilders Active Within the Service Area.”

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “RISK FACTORS,” BEFORE MAKING AN INVESTMENT DECISION.

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

Contract Revenue Bonds of the Regional District

2024 Gross Certified Assessed Valuation of the Participants	\$ 984,277,671	(a)
Estimated Gross Assessed Valuation of the Participants as of May 1, 2024	\$ 1,166,132,082	(b)
Regional Direct Debt:		
The Outstanding Bonds (as of the Date of Delivery)	\$ 53,215,000	
The System Bonds	\$ 15,770,000	
The Road Bonds.....	<u>\$ 16,395,000</u>	
Total Direct Debt.....	\$ 85,380,000	
Estimated Overlapping Debt.....	<u>\$ 133,466,326</u>	(c)
Total Direct and Estimated Overlapping Debt.....	\$ 218,846,326	
Direct Debt Ratios:		
As a Percentage of the 2024 Gross Certified Assessed Valuation of the Participants.....	8.67	%
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of May 1, 2024	7.32	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2024 Gross Certified Assessed Valuation of the Participants.....	22.23	%
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of May 1, 2024	18.77	%

Regional District Funds

Contract Revenue System Debt Service Fund Balance (as of July 18, 2024)	\$ 2,123,569	(d)(f)
Contract Revenue Road Debt Service Fund Balance (as of July 18, 2024).....	\$ 2,436,183	(e)(f)

- (a) Represents the gross assessed valuation as of January 1, 2024, of all taxable property of all Participants in the Service Area, as provided by the Waller County Appraisal District and the Harris Central Appraisal District, as applicable. See "TAXING PROCEDURES" and "TAX DATA."
- (b) This amount is an estimate of the gross assessed value of all taxably property located within the Participants in the Service Area as provided by the Waller County Appraisal District and the Harris Central Appraisal District of May 1, 2024. This amount represents an estimated \$2,927,061 for MUD 4, an estimated \$513,084,759 for MUD 5, an estimated \$229,979,430 for MUD 569, an estimated \$111,539,156 for MUD 35, and an estimated \$308,601,676 for MUD 37. No taxes will be levied on these estimated values. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Such amount includes the MUD 5 \$3,700,000 Unlimited Tax Bonds, Series 2024, the MUD 5 \$9,300,000 Unlimited Tax Park Bonds, Series 2024, the MUD 5 \$10,035,000 Unlimited Tax Road Bonds, Series 2024, the MUD 569 \$3,375,000 Unlimited Tax Bonds, Series 2024, the MUD 35 \$1,170,000 Unlimited Tax Bonds, Series 2024, the MUD 35 \$2,385,000 Unlimited Tax Road Bonds, Series 2024, and the MUD 37 \$11,650,000 Unlimited Tax Bonds, Series 2024. See "REGIONAL DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) In addition to this amount, twelve (12) months of capitalized interest will be deposited into the Contract Revenue System Debt Service Fund upon closing and delivery of the System Bonds. Neither Texas law nor the System Bond Resolution requires that the Regional District maintain any particular sum in the Contract Revenue System Debt Service Fund. Money deposited into the Contract Revenue System Debt Service Fund can only be used to pay debt service on the Contract Revenue System Bonds, such as the System Bonds. Funds deposited into the Contract Revenue System Debt Service Fund are not pledged to the Contract Revenue Road Bonds, such as the Road Bonds.
- (e) In addition to this amount, twelve (12) months of capitalized interest will be deposited into the Contract Revenue Road Debt Service Fund upon closing and delivery of the Road Bonds. Neither Texas law nor the Road Bond Resolution requires that the Regional District maintain any particular sum in the Contract Revenue Road Debt Service Fund. Money deposited into the Contract Revenue Road Debt Service Fund can only be used to pay debt service on the Contract Revenue Road Bonds, such as the Road Bonds. Funds deposited into the Contract Revenue Road Debt Service Fund are not pledged to the Contract Revenue System Bonds, such as the System Bonds.
- (f) Each Participant is obligated to pay a pro rata share of debt service on the Contract Revenue Bonds by the dates specified in the Regional District Contract. See "THE BONDS – Contract Payments by the Participants," "THE BONDS – Unconditional Obligation to Pay," and "REGIONAL DISTRICT CONTRACT."

Debt Service Requirements on the Bonds

Average Annual Debt Service Requirement (2024–2050).....	\$	5,513,967	(a)
Maximum Annual Debt Service Requirement (2048).....	\$	6,016,813	(a)

Contract Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay

Average Annual Debt Service Requirement (2024–2050) at 95% Tax Collections:

Based on the 2024 Gross Certified Assessed Valuation of the Participants.....	\$0.59
Based on the Estimated Gross Assessed Valuation of the Participants as of May 1, 2024.....	\$0.50

Contract Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay

Maximum Annual Debt Service Requirement (2048) at 95% Tax Collections:

Based on the 2024 Gross Certified Assessed Valuation of the Participants.....	\$0.65
Based on the Estimated Gross Assessed Valuation of the Participants as of May 1, 2024.....	\$0.55

Assessed Valuations of the Participants

Participant	2024 Gross Certified Assessed Valuation (b)	Percent of Total	Estimated Gross Assessed Valuation as of May 1, 2024 (c)	Percent of Total
MUD 4	\$ 2,446,879	0.25%	\$ 2,927,061	0.25%
MUD 5	479,167,120	48.68%	513,084,759	44.00%
MUD 569	147,030,545	14.94%	299,979,430	19.72%
MUD 35	104,905,041	10.66%	111,539,156	9.56%
MUD 37	250,728,087	25.47%	308,601,676	26.46%
Total	\$ 984,277,671	100.00%	\$ 1,166,132,082	100.00%

- (a) Requirement of debt service on the Outstanding Bonds and the Bonds based on an estimated interest rate of 4.75%.
- (b) Represents the gross assessed valuation as of January 1, 2024, of all taxable property of all Participants in the Service Area, as provided by the Waller County Appraisal District and the Harris Central Appraisal District, as applicable. See "TAXING PROCEDURES" and "TAX DATA."
- (c) This amount is an estimate of the gross assessed value of all taxable property located within the Participants in the Service Area as provided by the Waller County Appraisal District and the Harris Central Appraisal District as of May 1, 2024. This amount represents an estimated \$2,927,061 for MUD 4, an estimated \$513,084,759 for MUD 5, an estimated \$229,979,430 for MUD 569, an estimated \$111,539,156 for MUD 35, and an estimated \$308,601,676 for MUD 37. No taxes will be levied on these estimated values. See "TAX DATA" and "TAXING PROCEDURES."

Status of Development as of May 1, 2024

Participant	Total Acreage	Completed Lots	Occupied Completed Homes	Unoccupied Completed Homes	Homes Under Construction	Vacant Developed Lots	Lots Under Development
MUD 4	140.29	0	0	0	0	0	0
MUD 5	489.32	1,643	1,160	151	88	244	0
MUD 37	410.07	1,199	609	121	127	342	0
MUD 569	568.04	1,188	353	112	67	656	0
MUD 35	696.16	575	185	26	90	274	0
Total	2,303.88	4,605	2,307	410	372	1,516	0

Selected Tax Data

Participant	2023 Debt Service Tax Rate	2023 Maintenance Tax Rate	2023 Contract Tax Rate (a)	2023 Total Tax Rate
MUD 4	\$ 0.000	\$ 1.140	\$ 0.360	\$ 1.500
MUD 5	0.285	0.635	0.580	1.500
MUD 569	0.000	0.900	0.600	1.500
MUD 35	0.000	0.610	0.890	1.500
MUD 37	0.050	0.870	0.580	1.500

(a) The Regional District Contract provides that a Participant may make Contract Payments from the proceeds of the Contract Tax or from any other lawful sources, which include proceeds from the Participant’s levy of a maintenance tax rate and operating funds advanced by the Developers. See “RISK FACTORS – Dependence on Major Taxpayers and the Developers.”

Debt Service Requirement Schedule

The following schedule sets forth the annual debt service requirements of the Outstanding Bonds, the principal and interest requirements of the Bonds, and the combined total annual debt service requirements of the Outstanding Bonds and the Bonds. Totals may not sum due to rounding.

Year	Outstanding Debt Service (a)	The System Bonds:			The Road Bonds:			Total Debt Service
		Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	
2024	\$ 1,839,134	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 1,839,134
2025	3,832,694	–	752,530	752,530	–	781,901	781,901	5,367,125
2026	3,823,031	340,000	685,850	1,025,850	355,000	712,619	1,067,619	5,916,500
2027	3,809,656	360,000	663,750	1,023,750	375,000	689,544	1,064,544	5,897,950
2028	3,797,481	375,000	640,350	1,015,350	390,000	665,169	1,055,169	5,868,000
2029	3,776,231	395,000	615,975	1,010,975	410,000	639,819	1,049,819	5,837,025
2030	3,766,181	410,000	590,300	1,000,300	430,000	613,169	1,043,169	5,809,650
2031	3,754,606	430,000	563,650	993,650	450,000	585,219	1,035,219	5,783,475
2032	3,743,419	450,000	545,375	995,375	470,000	566,656	1,036,656	5,775,450
2033	3,732,369	475,000	527,375	1,002,375	490,000	547,856	1,037,856	5,772,600
2034	3,722,119	495,000	508,375	1,003,375	515,000	528,256	1,043,256	5,768,750
2035	3,729,319	520,000	488,575	1,008,575	540,000	507,656	1,047,656	5,785,550
2036	3,737,219	545,000	467,775	1,012,775	565,000	486,056	1,051,056	5,801,050
2037	3,752,031	570,000	445,975	1,015,975	590,000	463,456	1,053,456	5,821,463
2038	3,756,931	595,000	423,175	1,018,175	620,000	439,856	1,059,856	5,834,963
2039	3,772,156	625,000	399,375	1,024,375	650,000	415,056	1,065,056	5,861,588
2040	3,782,806	655,000	374,375	1,029,375	680,000	389,056	1,069,056	5,881,238
2041	3,782,619	685,000	348,175	1,033,175	715,000	361,856	1,076,856	5,892,650
2042	3,796,869	720,000	320,775	1,040,775	745,000	333,256	1,078,256	5,915,900
2043	3,801,594	755,000	291,975	1,046,975	780,000	303,456	1,083,456	5,932,025
2044	3,809,569	790,000	261,775	1,051,775	820,000	272,256	1,092,256	5,953,600
2045	3,814,388	825,000	230,175	1,055,175	860,000	239,456	1,099,456	5,969,019
2046	3,826,688	865,000	196,144	1,061,144	900,000	203,981	1,103,981	5,991,813
2047	3,825,713	905,000	160,463	1,065,463	940,000	166,856	1,106,856	5,998,031
2048	3,830,600	950,000	123,131	1,073,131	985,000	128,081	1,113,081	6,016,813
2049	2,171,700	995,000	83,944	1,078,944	1,035,000	87,450	1,122,450	4,373,094
2050	–	1,040,000	42,900	1,082,900	1,085,000	44,756	1,129,756	2,212,656
Total	\$ 94,787,122	\$ 15,770,000	\$ 10,752,236	\$ 26,522,236	\$ 16,395,000	\$ 11,172,751	\$ 27,567,751	\$ 148,877,109

(a) Outstanding as of the Date of Delivery.

Average Annual Debt Service Requirement (2024–2050).....	\$5,513,967
Maximum Annual Debt Service Requirement (2048).....	\$6,016,813

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 4

\$15,770,000
Contract Revenue Bonds
Series 2024

\$16,395,000
Contract Revenue Road Bonds
Series 2024

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris-Waller Counties Municipal Utility District No. 4 (the “Regional District” or, in its capacity as a Participant (herein defined), “MUD 4”) of the \$15,770,000 Contract Revenue Bonds, Series 2024 (the “System Bonds”) and the \$16,395,000 Contract Revenue Road Bonds, Series 2024 (the “Road Bonds,” and together with the System Bonds, the “Bonds”).

The System Bonds are issued by the Regional District pursuant to the Regional District Contract (herein defined) approved by the voters of each Participant; the terms and conditions of the bond resolution authorizing the issuance of the Bonds (the “System Bond Resolution”) adopted by the Board of Directors of the Regional District (the “Board”) on the date of sale of the System Bonds; an order of the Texas Commission on Environmental Quality (the “TCEQ”); an election held within the Regional District and passed by a majority of the participating voters; House Bill No. 4520, an act of the 86th Legislature, Regular Session, effective June 10, 2019, and codified as Chapter 8047 of the Special District Local Laws Code (the “Act”); Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

The Road Bonds are issued by the Regional District pursuant to the Regional District Contract approved by the voters of each Participant; the terms and conditions of the bond resolution authorizing the issuance of the Road Bonds (the “Road Bond Resolution,” and together with the System Bond Resolution, the “Bond Resolutions”) adopted by the Board on the date of sale of the Road Bonds; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas; the Act; and an election held within the Regional District and passed by a majority of the participating voters.

This Official Statement includes descriptions, among others, of the Bonds, the Bond Resolutions, and certain other information about the “Participants” (MUD 4, Harris-Waller Counties Municipal Utility District No. 5 (“MUD 5”), Waller County Municipal Utility District No. 37 (“MUD 37”), Harris County Municipal Utility District No. 569 (“MUD 569”), and Waller County Municipal Utility District No. 35 (“MUD 35”)), certain other information about the Regional District, in both its capacity as the Regional District and as a Participant, the approximate 2,303.88 acre service area (the “Service Area”) served by the Regional District Facilities (herein defined), and the Contract for the Financing, Operation and Maintenance of Regional Facilities entered into by the Participants and the Regional District (the “Regional District Contract”).

There follows herein descriptions of the Bonds, the Developers (herein defined), the Bond Resolutions, and certain information about the Regional District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel (herein defined) at 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of the costs of duplication thereof. Certain capitalized terms used herein have the same meanings assigned to such terms in the Bond Resolutions, except as otherwise indicated herein.

RISK FACTORS

General

The Regional District is issuing the System Bonds for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the Service Area (the “Regional District System Facilities”) and the Road Bonds for the purpose of acquiring or constructing a regional road system to serve the Service Area (the “Regional District Road Facilities”). The Regional District System Facilities and the Regional District Road Facilities are collectively referred to herein as the “Regional District Facilities.” The contract revenue bonds issued for the purpose of constructing or acquiring the Regional District System Facilities are referred to herein as the “Contract Revenue System Bonds,” and the contract revenue bonds issued for the purpose of constructing or acquiring the Regional District Road Facilities referred to herein as the “Contract Revenue Road Bonds.” The Contract Revenue System Bonds and the Contract Revenue Road Bonds are collectively referred to herein as the “Contract Revenue Bonds.”

The Bonds are special obligations of the Regional District payable solely from the Contract Payments and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Houston, Texas; any of the Participants (except the Regional District in its capacity as the Regional District); or any entity other than the Regional District. The Contract Revenue Bonds, including the Bonds, are payable solely from and to the extent of certain contract payments received by the Regional District from the Participants pursuant to the Regional District Contract, with each Participant’s annual contract payment being equal to its pro rata share of annual debt service on the Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds, established under the Bond Resolutions based upon the appraised valuation subject to taxation plus amounts equal to any

optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the "Gross Certified Assessed Valuation") of each such Participant as a percentage of the total Gross Certified Assessed Valuation of all Participants (the "Contract Payments").

Each Participant is contractually obligated to make the Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on all taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful sources of such Participant's income. The obligations of the Participants to make Contract Payments are several, not joint, obligations prorated among the Participants based upon the proportion of the Gross Certified Assessed Valuation of property within their respective boundaries to the total Gross Certified Assessed Valuation of property within all Participants, as described herein. No Participant is obligated to pay the Contract Payments allocated to any other Participant; however, lack of payment by any Participant could result in an increase in the Contract Payment amount paid by each of the other Participants during the time that such Participant's payment is delinquent as the Regional District may include a reserve amount in the Contract Payment due from each Participant. The security for payment of the principal of and interest on the Bonds by the Regional District, therefor, depends on the ability of each Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries sufficient to make its Contract Payments. The collection by each Participant of delinquent taxes owed to it may be a costly and lengthy process. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy" and "THE BONDS – Source of Payment."

Economic Factors and Interest Rates

The rate of development of the Service Area is directly related to the vitality of the residential and commercial industry in the Houston area. New residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of residential construction activity would restrict the growth of property values within the Service Area. The Regional District and Participants cannot predict the pace or magnitude of any future development within the Service Area. See "THE REGIONAL DISTRICT – Status of Development Within the Service Area."

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for developmental costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the Service Area. Because of the numerous and changing factors affecting the availability of funds, the Regional District is unable to assess the future availability of such funds for continued construction within the Service Area. In addition, since the Service Area is located approximately 30 miles from the central downtown business district of Houston, the success of development within the Service Area and growth of Service Area taxable property values are, to a great extent, a function of the Houston and regional economies. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans within the Service Area and restrain the growth of the Service Area's property tax base.

Competition

The demand for and construction of single-family homes within the Service Area could be affected by competition from other residential developments including other residential developments located in the western portion of the Houston area. In addition to competition for new home sales from other developments, there are numerous previously owned homes near the Service Area and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the Service Area.

The competitive position of the Developers in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the Service Area is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values within the Service Area. The Regional District can give no assurance that building and marketing programs within the Service Area by the Developers will be implemented or, if implemented, will be successful.

Dependence on Major Taxpayers and the Developers

The top ten principal taxpayers within the Service Area represent \$107,883,208, or approximately 19.42%, of the 2023 Gross Certified Assessed Valuation of the property within the boundaries of the Participants, which is \$555,593,483, and represents ownership in the Participants' boundaries as of January 1, 2023. Astro Sunterra (herein defined) represents \$16,107,041, or 2.90%, of such value. See "TAX DATA – Principal Taxpayers." If the Developers (herein defined) or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the amount in the debt service fund created to pay debt service on bonds issued for the Regional District System Facilities (the "Contract Revenue System Debt Service Fund") or the debt service fund created to pay debt services on bonds issued for the Regional District Road Facilities (the "Contract Revenue Road Debt Service Fund"), the ability of the Regional District to make timely payment of debt service on the Bonds would be dependent on the ability of Participants to enforce and liquidate their tax liens, which is a time-

consuming process. Failure to recover or borrow funds in a timely fashion could result in a Participant being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The Regional District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its Contract Revenue System Debt Service Fund or Contract Revenue Road Debt Service Fund. See “RISK FACTORS – Tax Collection Limitations,” “TAXING PROCEDURES – Levy and Collection of Taxes,” and “APPENDIX A – Certain Financial Information Regarding the Participants.”

The Developers have informed the Board that their current plans are to develop the remaining undeveloped land and to continue marketing the remaining developed lots in the Participants to homebuilders. However, neither the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The Regional District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers or any other landowner within the Service Area to implement any plan of development. Furthermore, there is no restriction on any landowner’s right to sell land. The Regional District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers or any other landowner. See “THE DEVELOPERS.”

Undeveloped Acreage and Vacant Lots

There are approximately 375 undeveloped but developable acres within the Service Area that have not been provided with water, wastewater, drainage, road, and other facilities necessary for the construction of taxable improvements. In addition, as of May 1, 2024, there were approximately 1,516 vacant developed lots within the Service Area. The Regional District makes no representation as to when or if development of the undeveloped but developable acreage will occur or that the lot sales and building program will be successful. See “THE REGIONAL DISTRICT – Status of Development Within the Service Area.”

Maximum Impact on Contract Tax Rate

Assuming no further development, the value of the land and improvements currently within the Participants will be the major determinant of the ability and willingness of property owners to pay their taxes. The 2024 Gross Certified Assessed Valuation of the Participants is \$984,277,671 and the Estimated Gross Assessed Valuation of the Participants as of May 1, 2024, is \$1,166,132,082. See “TAX DATA.” After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds (herein defined) and the Bonds will be \$6,016,813 (2048) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$5,513,967 (2024–2050). Assuming no increase or decrease from the 2024 Gross Certified Assessed Valuation of the Participants, a Contract Tax rate of \$0.65 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and a Contract Tax rate of \$0.59 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement on the Outstanding Bonds and the Bonds. Assuming no increase or decrease from the Estimated Gross Assessed Valuation of the Participants as of May 1, 2024, a Contract Tax rate of \$0.55 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds, and a Contract Tax rate of \$0.50 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement on the Outstanding Bonds and the Bonds. See “SELECTED FINANCIAL INFORMATION” and “TAX DATA – Tax Rate Calculations.”

Overlapping Debt and Tax Rates

The Regional District and each Participant may each independently issue additional debt which may change the projected and actual tax rates in the future.

Landowners are or will be responsible for the payment of ad valorem taxes levied by each Participant for payment of Contract Payments. In addition, owners of property located within the Participants are responsible for the payment of ad valorem taxes levied by each Participant for the payment of debt service on unlimited tax bonds issued by each Participant and ad valorem taxes levied by each Participant for the purpose of paying the Participant’s operation and maintenance costs. See “APPENDIX A – Certain Financial Information Regarding the Participants” for information related to each Participant’s indebtedness and taxation requirements.

In addition, property located within the Service Area is subject to taxation by various other governmental entities. See “RISK FACTORS – Debt Burden on Property Within the Service Area” and “TAX DATA – Estimated Overlapping Taxes.”

Debt Burden on Property Within the Service Area

The total tax rate paid by property owners within the Service Area is a major factor in the demand for single-family homes within the Service Area. The Regional District Contract requires that the Participants make Contract Payments from the Contract Tax. In addition, other contract tax payments are required of the Participants by the Regional District Contract. See "REGIONAL DISTRICT CONTRACT." Furthermore, each Participant will be required to levy taxes on property within its boundaries (without legal limit as to rate or amount) to pay annual principal and interest on any unlimited tax bonds issued in the future by the Participant to fund internal water, wastewater, drainage, and road facilities within the Participant's boundaries. Each Participant may also levy taxes on property within its boundaries to pay operations and maintenance expenses. For the 2023 tax year, each Participant has levied a total tax rate of \$1.50.

The tax rate that may be required to service debt on any bonds issued by the Regional District or a Participant is subject to numerous uncertainties such as the growth of taxable values within such district, the amount of the bonds issued, regulatory approvals, construction costs and market interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated in Sunterra will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the Service Area and the investment quality or security of the Bonds could be adversely affected.

In addition, the Participants are within the taxing jurisdiction of other taxing entities, including Waller County, Harris County, Katy Independent School District, and Royal Katy Independent School District, as applicable. Each of these entities currently levies various taxes on property within the boundaries, as applicable, of the Participants in addition to the other taxes listed above.

Operational Expenses

Each Participant is obligated to pay monthly charges to the Regional District for its share of the Regional District's operation and maintenance expenses in connection with the Regional District's provision of service from the Regional District Facilities. The monthly charges to be paid by each Participant to the Regional District will be used to pay each Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Participant's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Regional District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Regional District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections ("ESFCs") reserved to each Participant on the first day of the previous month by the unit cost per ESFC. See "THE REGIONAL DISTRICT FACILITIES."

No Reserve Fund

The Bonds will be issued pursuant to the Bond Resolutions wherein the Contract Payments will be pledged to payment of debt service on the Bonds. The Bond Resolutions confirm the Contract Revenue System Debt Service Fund and the Contract Revenue Road Debt Service Fund but does not create designated reserve funds. Each Participant's pro rata share of the Contract Payments is calculated by the Regional District. The Regional District's annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year's annual debt service requirements and, at the option of the Regional District, up to 50% of the following year's annual debt service requirements to establish a replenishment amount in the debt service funds, which when paid by the Participants, will be deposited into the respective debt service funds. Delay or failure of any Participant to pay its pro rata share of the debt service requirements may adversely affect payment of the Bonds. There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of the Registered Owners (herein defined). Any action in mandamus as a result of a payment or other default under the Bond Resolutions would have to be brought by the Registered Owners themselves against the Regional District, and such an action would not necessarily operate to enforce rights against other Participants. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy."

The Regional District further covenants that if at any time the fund balance in either the Contract Revenue Road Debt Service Fund or the Contract Revenue System Debt Service Fund falls below 10% of the following year's debt service requirement for the respective bonds, it will levy the maximum amount allowed under the Bond Resolutions (100% of the next year's debt service requirement plus 50% of the following year's debt service requirement) until such time that the debt service fund balance in the respective fund exceeds 50% of the next year's debt service requirement.

Tax Collection Limitations

The Regional District's ability to make debt service payments may be adversely affected by each Participant's inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien in favor of such Participant on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. A Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax

collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the Participant's boundaries and limiting the proceeds from a foreclosure sale of such property, or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential property and all other property after the purchaser's deed issued at the foreclosure is filed in the county records. While the Participant has a lien on taxable property within the Participant's boundaries for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the Participant from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the Participant's boundaries pursuant to Federal Bankruptcy Code could stay any attempt by such Participant to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid" See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "RISK FACTORS - No Reserve Fund."

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners" and each a "Registered Owner") have a right to seek a writ of mandamus requiring the Regional District to levy adequate taxes each year to make such payments. Except for the mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce such interests of the Registered Owners. There is no provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the Regional District, such a judgment could not be enforced by a direct levy and execution against the Regional District's property. Further, the Registered Owners themselves cannot foreclose on property within the Service Area or sell property within the Service Area in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Regional District. In this regard, should the Regional District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the Regional District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge" See "THE BONDS - Registered Owners' Remedies."

Future Debt

Pursuant to the Regional District Contract and in connection with the development of the Service Area, the Regional District may issue Contract Revenue Bonds in an amount necessary to provide the Regional District Facilities. The Regional District Contract also authorizes the Regional District to refund any outstanding Contract Revenue Bonds. Any future Contract Revenue Bonds will be on a parity with the Bonds. The Regional District is expected to issue additional Contract Revenue Bonds. The Regional District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of Contract Revenue Bonds which it may issue. The issuance of additional Contract Revenue System Bonds is subject to approval by the TCEQ pursuant to its rules and regarding issuance and feasibility of bonds. See "RISK FACTORS - Maximum Impact on Contract Tax Rate" and "THE BONDS - Issuance of Additional Debt."

The Regional District Contract obligates each Participant to pay a pro rata share of the debt service on the Contract Revenue Bonds based upon the Gross Certified Assessed Valuation of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually. Each Participant is obligated to make such Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on all taxable property within its boundaries, or also known as the "Contract Tax," from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful source of such Participant's income.

Pursuant to the Regional District Contract and after the issuance of the Bonds, the Regional District will have \$567,727,000 principal amount of Contract Revenue System Bonds remaining authorized but unissued, \$156,781,000 principal amount of Contract Revenue Road Bonds remaining authorized but unissued, and such additional bonds as may hereafter be approved by both the Board and voters of the Participants. See "THE BONDS - Issuance of Additional Debt."

The Bonds and all additional Contract Revenue Bonds issued by the Regional District, will be payable from the Contract Tax.

Following the Regional District's issuance of the Bonds, the Regional District will owe Astro Sunterra approximately \$73,610,000 for reimbursable expenditures made by Astro Sunterra to construct the Regional District Facilities. See "THE BONDS – Issuance of Additional Debt."

Each Participant may issue unlimited tax bonds for water, wastewater, drainage, road, and park and recreational services, with any required approval of the TCEQ, necessary to provide and maintain improvements and facilities to serve land within their respective boundaries consistent with the purposes for which the Regional District or such other Participant was created. TCEQ approval is not currently required for the Regional District or any Participant to issue bonds for the purpose of constructing or acquiring road facilities.

Each Participant, including MUD 4, has voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within its respective boundaries. At an election held on May 1, 2021, voters of MUD 4 authorized MUD 4's issuance of the following: \$27,610,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing facilities necessary to provide water, sanitary sewer, and storm water drainage systems serving MUD 4; \$8,284,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 4 for acquiring or constructing facilities necessary to provide water, sanitary sewer, and storm water drainage systems serving MUD 4; \$28,545,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve MUD 4; \$8,564,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 4 for acquiring or constructing roads and improvements in aid thereof to serve MUD 4; \$23,285,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities in MUD 4; and \$6,986,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 4 for acquiring or constructing parks and recreational facilities in MUD 4. To date, MUD 4 has issued no bonds for internal facilities from such voted authorizations from the May 1, 2021, election.

See "APPENDIX A – Certain Financial Information Regarding the Participants" for a description of the voter authorized bonds, principal amount of bonds issued (if any), and principal amount of bonds outstanding for each Participant.

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the United States.” The District must obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Potential Effects of Oil Price Fluctuations on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the Service Area. The Regional District cannot predict the impact that negative conditions in the oil industry could have on property values in the Service Area.

Specific Flood Type Risks

The Service Area may be subject to the following flood risks:

Ponding (or Pluvial) Flood. Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine (or Fluvial) Flood. Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

National Weather Service Atlas Rainfall Study

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the Service Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the Service Area. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Potential Impact of Natural Disaster

The Service Area is located approximately 75 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the Service Area, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value in the Service Area or an increase in the Participant’s tax rates. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

There can be no assurance that a casualty loss to taxable property within the Service Area will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the Service Area that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the Service Area are adversely affected.

Marketability

The Regional District has no understanding (other than the initial reoffering yields) with the winning bidders for the Bonds (the “Initial Purchasers”) regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS.”

Continuing Compliance with Certain Covenants

The Bond Resolutions contain covenants by the Regional District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the Regional District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS."

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Regional District which is recovered by the Regional District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absence such prepayment by the Regional District unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND INSURANCE."

The obligations of the bond insurer are contractual obligations and in an event of default by the bond insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Regional District nor the Initial Purchasers have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Participants to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolutions. Copies of the Bond Resolutions may be obtained from the Regional District upon written request made to the Regional District's Bond Counsel, Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056.

The Bonds are dated September 1, 2024, and will accrue interest from the initial date of delivery, which is expected to be on or about September 26, 2024 (the "Date of Delivery"), with interest payable May 1, 2025, and on each November 1 and May 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully-registered bonds maturing on November 1 of the years shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrars, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Regional District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Regional District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the

Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Regional District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar or the Regional District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Regional District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Regional District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Regional District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that the Regional District believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections herein to Registered Owners should be read to include the person for which the Direct and Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolutions will be given only to DTC.

Successor Paying Agent/Registrar

Provision is made in the Bond Resolutions for replacing the Paying Agent/Registrar. If the Regional District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the Regional District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state

banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

Registration, Transfer and Exchange

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of each series of the Bonds and will be deposited with DTC. See "Book-Entry-Only System" above. So long as any Bonds remain outstanding, the Regional District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the Regional District.

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner.

The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the Regional District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the Regional District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

Optional Redemption

The Bonds maturing on November 1, 2031, and thereafter shall be subject to redemption and payment at the option of the Regional District, in whole or from time to time in part, on November 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the series and maturities of the Bonds to be redeemed shall be selected by the Regional District. If less than all of the Bonds of a certain series and maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The System Bond that matures on November 1 in the year 2038 (the "System Term Bond"), is also subject to mandatory sinking fund redemption by the Regional District by lot or other customary random method prior to scheduled maturity on November 1 in the year set out below ("Mandatory Redemption Date") and in the amounts set forth below, subject to proportionate reductions as described below, at a redemption price of par plus accrued interest to the date of redemption:

<u>\$1,165,000 System Term Bond Maturing on November 1, 2038</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
November 1, 2037	\$ 570,000
November 1, 2038 (Maturity)	\$ 595,000

The Road Bond that matures on November 1 in the year 2038 (the “Road Term Bond” and together with the System Term Bond, the “Term Bonds”), is also subject to mandatory sinking fund redemption by the Regional District by lot or other customary random method prior to scheduled maturity on November 1 in the year set out below (“Mandatory Redemption Date”) and in the amounts set forth below, subject to proportionate reductions as described below, at a redemption price of par plus accrued interest to the date of redemption:

<u>\$1,210,000 Road Term Bond Maturing on November 1, 2038</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
November 1, 2037	\$ 590,000
November 1, 2038 (Maturity)	\$ 620,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for above, (ii) select, by lot or other customary random method, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the applicable Bond Resolutions. The principal amount of any Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bonds which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the Regional District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the Regional District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the Regional District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Regional District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

At separate elections held within the boundaries of each Participant, the voters of each Participant approved the Regional District Contract. Under the Regional District Contract, the Regional District is to serve as the provider of the Regional District Facilities. The Regional District Contract authorizes the Regional District to issue the remaining \$567,727,000 principal amount of Contract Revenue System Bonds and \$156,781,000 principal amount of Contract Revenue Road Bonds. See “THE BONDS – Issuance of Additional Debt.” The Regional District Contract also authorizes the Regional District to refund any outstanding Contract Revenue Bonds.

The System Bonds are issued by the Regional District pursuant to the Regional District Contract approved by the voters of each Participant; the terms and conditions of the System Bond Resolution adopted by the Board on the date of sale of the System Bonds; an order of the TCEQ; an election held within the Regional District and passed by a majority of the participating voters; the Act; Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas

The Road Bonds are issued by the Regional District pursuant to the Regional District Contract approved by the voters of each Participant; the terms and conditions of the Road Bond Resolution adopted by the Board on the date of sale of the Road Bonds; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas; the Act; and an election held within the Regional District and passed by a majority of the participating voters.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment, the sufficiency of the Contract Payments to pay principal of and interest on the Bonds or upon the adequacy of the information contained in this Official Statement.

Outstanding Bonds

The Regional District has previously issued four (4) series of contract revenue bonds for financing Regional District Facilities as follows: \$12,480,000 Contract Revenue Bonds, Series 2022, \$10,400,000 Contract Revenue Road Bonds, Series 2022, \$14,250,000 Contract Revenue Bonds, Series 2023, and \$16,085,000 Contract Revenue Road Bonds, Series 2023. As of the Date of Delivery, \$53,215,000 principal amount of such prior issuances of bonds by the Regional District will remain outstanding (the “Outstanding Bonds”).

Issuance of Additional Debt

Pursuant to the Regional District Contract, the Regional District is authorized to issue \$610,227,000 principal amount of Contract Revenue System Bonds and \$199,661,000 principal amount of Contract Revenue Road Bonds. The Regional District Contract also authorizes the Regional District to refund any outstanding Contract Revenue Bonds. Pursuant to the Regional District Contract, approval by each Participant and approval by the voters at an election held by each Participant is required prior to any amendment to the Regional District Contract that would increase such authorized amounts. By execution of the Regional District Contract between the Regional District and each Participant, each Participant is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds issued by the Regional District to finance the Regional District Facilities, including the Bonds. The Outstanding Bonds, the Bonds, and all additional Contract Revenue Bonds issued by the Regional District will be payable from the Contract Tax.

Pursuant to the Regional District Contract and after the issuance of the Bonds, the Regional District will have \$567,727,000 principal amount of Contract Revenue System Bonds and \$156,781,000 principal amount of Contract Revenue Road Bonds remaining authorized but unissued. The Regional District Contract (except as described above) and the Bond Resolutions impose no limitation on the amount of Contract Revenue Bonds the Regional District may issue payable from the Contract Tax. See “RISK FACTORS – Future Debt.”

Each Participant may issue unlimited tax bonds for water, wastewater, drainage, road, and park and recreational services, with any required approval of the TCEQ, necessary to provide and maintain improvements and facilities to serve land within their respective boundaries consistent with the purposes for which the Regional District or such other Participant was created. TCEQ approval is not currently required for the Regional District or any Participant to issue bonds for the purpose of constructing or acquiring road facilities. See “APPENDIX A – Certain Financial Information Regarding the Participants” for a description of the voter authorized bonds, principal amount of bonds issued (if any), and principal amount of bonds outstanding for each Participant.

At an election held on May 1, 2021, voters of MUD 4 authorized MUD 4’s issuance of the following: \$27,610,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing internal facilities necessary to provide water, sanitary sewer, and storm water drainage systems serving MUD 4; \$8,284,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 4 for acquiring or constructing facilities necessary to provide water, sanitary sewer, and storm water drainage systems serving MUD 4; \$28,545,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve MUD 4; \$8,564,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 4 for acquiring or constructing roads and improvements in aid thereof to serve MUD 4; \$23,285,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities in MUD 4; and \$6,986,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 4 for acquiring or constructing parks and recreational facilities in MUD 4. To date, MUD 4 has issued no unlimited tax bonds for internal facilities from such voted authorizations from the May 1, 2021, election.

Source of Payment

The Bonds are payable solely from payments the Participants make to the Paying Agent/Registrar for the purpose of paying the debt service on the Bonds pursuant to the requirements of the Regional District Contract. The Regional District Contract provides that all Participants shall pay a pro rata share of debt service on any Contract Revenue Bonds issued by the Regional District, including the Outstanding Bonds and the Bonds, based upon each Participant’s Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all Participants. The debt service requirements shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with Contract Revenue Bonds, the principal, interest, and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the Bond Resolutions. Each Participant is obligated to pay its pro rata share of the Contract Payments, from the Contract Tax, revenues derived from the operation of its water distribution and wastewater collection systems or from any other legally available funds of such Participant. Each Participant’s pro rata share of debt service requirements will be calculated annually by the Regional District; however the levy of a Contract Tax for the purpose of paying debt service on the Contract Revenue Bonds is the sole responsibility of each Participant. The Bonds are special obligations of the Regional District payable solely from the Contract Payments and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Houston, Texas; any of the Participants (except the Regional District); or any entity other than the Regional District.

Contract Payments by the Participants

Principal of and interest on the Bonds are payable from and secured by each Participant’s unconditional obligation to make Contract Payments. By execution of the Regional District Contract, each Participant has agreed to make a Contract Payment in an amount equal to its pro rata share of the annual debt service on the Contract Revenue Bonds plus all the charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds established under the Bond Resolutions based upon its Gross Certified Assessed Valuation as a percentage of the total Gross Certified Assessed

Valuation of all Participants. Each Participant is obligated to make such payments from the proceeds of the Contract Tax levied by such Participant on property within its boundaries for such purpose, revenues, if any derived from the operation of its water distribution and wastewater collection systems or from any other lawful source of funds. See "Source of Payment." No Participant is liable for the payments due by any other Participant. See "REGIONAL DISTRICT CONTRACT." The Regional District shall calculate on or before September 1 of each year, or as soon thereafter as practical, the amount of Contract Payments due from each Participant in the following calendar year. The Contract Payments shall be billed to each Participant by the Regional District on or before September 1 of the year prior to the year in which such Contract Payments become due, or as soon thereafter as practical. Such Contract Payments shall be due and payable from each Participant to the Paying Agent/Registrar semiannually by the dates specified by the Regional District. The Regional District specified March 1 and September 1 of each year as the dates by which Contract Payments are due to the Paying Agent/Registrar. The Bond Resolutions provide that the Contract Payments will be paid directly to the Paying Agent/Registrar semiannually on or before March 1 and September 1 of each year.

Unconditional Obligation to Pay

All charges imposed by the Regional District to pay debt service on the Bonds will be made by the Participants without set-off, counterclaim, abatement, suspension, or diminution, nor will any Participant have any right to terminate the Regional District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor will the obligations of the Participants be otherwise affected for any reason, including without limitation acts or conditions of the Regional District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Regional District Facilities, failure of the Regional District to perform and observe any agreement whether expressed or implied, or any duty, liability, or obligation arising out of or connected with the Regional District Contract. All sums required to be paid by the Participants to the Regional District for such purposes will continue to be payable in all events and the obligations of the Participants will continue unaffected, unless the requirement to pay is reduced or terminated pursuant to an express provision of the Regional District Contract. If any Participant disputes the amount to be paid to the Regional District, the Participant shall nonetheless promptly make payments as billed by the Regional District and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Regional District will then make proper adjustments to all Participants so that the appropriate Participant will receive credit for its over-payments. See "THE REGIONAL DISTRICT."

Funds

The Contract Revenue System Debt Service Fund is confirmed in the System Bond Resolution. At closing of the System Bonds, twelve (12) months of capitalized interest on the System Bonds will be deposited into the Contract Revenue System Debt Service Fund. The Contract Revenue Road Debt Service Fund is confirmed in the Road Bond Resolution. At closing of the Road Bonds, twelve (12) months of capitalized interest on the Road Bonds will be deposited into the Contract Revenue Road Debt Service Fund.

The proceeds from the Contract Payments collected for and on account of Contract Revenue System Bonds (including the System Bonds) shall be deposited into the Contract Revenue System Debt Service Fund. Proceeds from the Contract Payments collected for and on account of Contract Revenue Road Bonds (including the Road Bonds) shall be deposited into the Contract Revenue Road Debt Service Fund (which includes each Participant's pro rata share of the respective debt service requirements). The Bond Resolutions do not provide for segregated reserve funds. The Regional District's annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year's annual debt service requirements and, at the option of the Regional District, an amount up to 50% of the following year's annual debt service requirements, which when paid by the Participants, will be deposited into the respective debt service fund.

The Regional District further covenants that if at any time the fund balance in either the Contract Revenue System Debt Service Fund or the Contract Revenue Road Debt Service Fund falls below 10% of the following year's debt service requirement for the respective bonds, it will levy the maximum amount allowed under the Bond Resolutions (100% of the next year's debt service requirement plus 50% of the following year's debt service requirement) until such time that the debt service fund balance in the respective fund exceeds 50% of the next year's debt service requirement.

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "RISK FACTORS - Registered Owners' Remedies and Bankruptcy."

No Arbitrage

The Regional District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the Regional District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the Regional District have been authorized and directed to

provide certifications of facts and estimates that are material to the reasonable expectations of the Regional District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the Regional District are authorized to certify to the facts and circumstances and reasonable expectations of the Regional District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the Regional District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Continuing Compliance with Certain Covenants

The Bond Resolutions contain covenants by the Regional District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the Regional District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS – Tax Exemption."

Annexation

Under existing Texas law, since each Participant lies wholly within the extraterritorial jurisdiction ("ETJ") of the City, each Participant must conform to a City consent ordinance. Generally, each Participant may be annexed by the City without the Participant's consent, and the City cannot annex territory within the Participant unless it annexes the entire Participant; however, the City may not annex a Participant unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement ("SPA") between the City and a Participant specifying the procedures for full purpose annexation of all or a portion of the Participant. None of the Participants currently have a SPA with the City of Houston.

If the Regional District (and each of the Participants) is annexed, the City will assume the Regional District's assets and obligations (including the Bonds) and dissolve the Regional District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the Regional District makes no representation that the City will ever annex the Participants and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

The Regional District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the Regional District System Facilities) and liabilities (such as the Bonds), with the assets and liabilities of a district with which it is consolidating. Although no consolidation is presently contemplated by the Regional District, no representation is made concerning the likelihood of consolidation in the future.

Defeasance

The Bond Resolutions provide that the Regional District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and the redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of Texas a sum of money equal to principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the Regional District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Regional District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Regional District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the Regional District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is

not extinguished if the Regional District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt from Section 49.186 of the Texas Water Code and is applicable to the Regional District:

(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the Regional District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolutions provide that, in the event the Regional District defaults in the payment of principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolutions into the applicable debt service fund, or defaults in the observance or performance of any of the other covenants, conditions, or obligations set forth in the Bond Resolutions, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Regional District to make such payments or to observe and perform such covenants, obligations, or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the Participants to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolutions do not specifically provide for remedies to a Registered Owner in the event of a Regional District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the Regional District, such a judgment could not be enforced by direct levy and execution against the property within the Service Area. Further, the Registered Owners cannot themselves foreclose on the property within the Service Area or sell property within the Service Area in order to pay principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Participants. For example, a Chapter 9 bankruptcy proceeding by a Participant could delay or eliminate payment of principal or interest to the Registered Owners.

Short-Term Debt

The District issued its \$8,910,000 Bond Anticipation Note, Series 2023 (the "BAN"), dated December 21, 2023. The BAN matures on December 20, 2024, and accrues interest at a rate of 6.17% per annum, calculated on the basis of actual days elapsed. The District will use a portion of the proceeds from the sale of the System Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse Astro Sunterra for a portion of the improvements and related costs shown under "THE BONDS – Use and Distribution of System Bond Proceeds."

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Use and Distribution of System Bond Proceeds

Proceeds from the sale of the System Bonds will be used by the District to redeem the BAN, the proceeds of which were used to reimburse Astro Sunterra for a portion of the improvements and related costs as shown below. Additionally, proceeds from the sale of the System Bonds will also be used to reimburse Astro Sunterra for the improvements and related costs that were not reimbursed by the BAN and to pay twelve (12) months of capitalized interest, developer interest, and other certain costs associated with the issuance of the System Bonds.

Non-construction costs are based upon either contract amounts or various cost estimates by the Regional District Engineer (herein defined) and the Financial Advisor (herein defined). The actual amounts to be reimbursed by the Regional District and the non-construction costs will be finalized after the sale of the System Bonds and completion of agreed-upon procedures by the Auditor (herein defined). Totals may not sum due to rounding.

Construction Related Costs

Developer Contribution Items	\$	-
District Items		<u>11,709,111</u>
Total Construction Related Costs	\$	11,709,111

Non-Construction Costs

Bond Discount	\$	471,639
Capitalized Interest (12 Months)		685,850
BAN Interest		420,571
Developer Interest		<u>1,058,925</u>
Total Non-Construction Costs	\$	2,636,985

Issuance Costs and Fees

Issuance Costs and Professional Fees	\$	898,839
Bond Application Report Costs		66,000
State Regulatory Fees		48,925
Contingency (a)		<u>410,139</u>
Total Issuance Costs and Fees	\$	1,423,903

Total Bond Issue Requirement **\$ 15,770,000**

(a) Represents the difference between the estimated and actual amounts of Bond Discount, Capitalized Interest, and BAN Interest.

The Regional District Engineer has advised the Regional District that the proceeds of the sale of the System Bonds should be sufficient to reimburse Astro Sunterra for the costs of the above-described facilities. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ; however, the Regional District cannot and does not guarantee the sufficiency of such funds for such purposes.

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Use and Distribution of Road Bond Proceeds

Proceeds from the sale of the Road Bonds will be used by the District to reimburse Astro Sunterra for the costs of road improvements and related costs as set forth below. Additionally, proceeds from the sale of the Road Bonds will be used to pay for twelve (12) months of capitalized interest, developer interest, and other certain costs associated with the issuance of the Road Bonds.

Non-construction costs are based upon either contract amounts or various cost estimates by the Regional District Engineer and the Financial Advisor. The actual amounts to be reimbursed by the Regional District and the non-construction costs will be finalized after the sale of the Road Bonds and completion of agreed-upon procedures by the Auditor.

Construction Related Costs

Road Construction Costs	\$ 12,362,752
Land Costs	<u>1,313,411</u>
Total Construction Related Costs	\$ 13,676,163

Non-Construction Costs

Bond Discount	\$ 491,269
Capitalized Interest (12 Months)	712,916
Developer Interest	<u>697,273</u>
Total Non-Construction Costs	\$ 1,901,161

Issuance Costs and Fees

Issuance Costs and Professional Fees	\$ 741,451
State Regulatory Fees	9,500
Contingency (a)	<u>66,725</u>
Total Issuance Costs and Fees	\$ 817,676

Total Bond Issue Requirement **\$ 16,395,000**

(a) Represents the difference between the estimated and actual amounts of Bond Discount and Capitalized Interest.

The Regional District Engineer has advised the Regional District that the proceeds of the sale of the Road Bonds should be sufficient to reimburse Astro Sunterra for the costs of the above-described facilities. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses; however, the Regional District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE PARTICIPANTS

Creation, Authority, and Description

MUD 4 was created by House Bill No. 4520, an act of the 86th Legislature, Regular Session, effective June 10, 2019, and codified as Chapter 8047 of the Special District Local Laws Code. Pursuant to the powers of MUD 4 under such act, MUD 4 adopted that Order Dividing District dated July 30, 2020, which resulted in the division of MUD 4 into three resulting districts, including the creation of MUD 5 and MUD 37.

MUD 569 was created by House Bill No. 2671, an act of the 86th Legislature, Regular Session, effective June 10, 2019, and codified as Chapter 8057 of the Special District Local Laws Code. MUD 35 was created by House Bill No. 3209, an act of the 86th Legislature, Regular Session, effective June 10, 2019, and codified as Chapter 8071 of the Special District Local Laws Code.

Each Participant operates under the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 59, Article XVI of the Texas Constitution and is authorized to construct and finance road projects as provided under Section 52, Article III of the Texas Constitution. To serve the property within their boundaries, the Participants have the powers to construct, acquire, operate, maintain, and finance water, wastewater, drainage, road, and park and recreational facilities.

The Participants are empowered to exercise all the powers and functions which will permit accomplishment of the purposes for which they were created. Each Participant may also establish, operate, and maintain a fire department or contract for firefighting services, and the TCEQ and its voters have approved a plan for that purpose.

Authorized Bonds and Debt Service Tax

The Participants have the statutory authority to issue unlimited tax bonds for the purpose of providing internal water distribution, wastewater collection, storm drainage, road, and park and recreational facilities to the land within their boundaries. Such bonds are secured by a continuing direct annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the Contract Tax. See “THE PARTICIPANTS – Contract Taxes.”

Each of the Participants has voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within their respective boundaries. See “APPENDIX A – Certain Financial Information Regarding the Participants” for a description of the voter authorized bonds, principal amount of bonds issued (if any) and principal amount of bonds outstanding for each Participant.

Operations

Each Participant has or will construct internal water, wastewater, and drainage facilities, and may also construct internal road and park and recreational facilities, within its respective boundaries. Pursuant to the Regional District Contract, each Participant is required to purchase potable water from the Regional District and sell such water to its customers, and collect domestic wastewater from its customers, which the Regional District provides for the treatment and discharge of the wastewater. The Regional District has a contract with Quadvest (herein defined) whereby Quadvest owns and operates the regional water supply and wastewater systems serving Sunterra. See “THE REGIONAL DISTRICT FACILITIES.”

Each Participant sets its own retail rates for water distribution and wastewater collection services and is required by the Regional District Contract to do so at a level which will produce sufficient revenue to pay operating and maintenance charges of the Regional District, to pay other costs of operating and maintaining its own System (herein defined), and, together with tax revenues, to pay its Contract Payments. The Regional District does not expect that revenues from Participants’ retail charges will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds.

Contract Taxes

The Regional District has the authority to issue Contract Revenue Bonds, including the Bonds. Each Participant’s pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each Participant’s Gross Certified Assessed Valuation by the total of all Participants’ Gross Certified Assessed Valuation, calculated annually. Calculation of the Contract Payments, is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the Participant’s however, allowances are made for exemptions provided under State law that do not require action by the Participants. See “TAXING PROCEDURES.” The Regional District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual Contract Taxes levied without legal limit as to rate or amount, from revenues derived from the operation of its water distribution and wastewater collection systems, or from any other legally available funds. The Regional District does not expect that revenues from the Participants’ wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of the Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. The debt service requirement shall include principal, interest, and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under a bond resolution.

The Participants have the authority to levy and collect an annual ad valorem tax for the operation and maintenance of facilities. A maintenance and operations tax is in addition to taxes which the Participant is authorized to levy for paying principal of and interest on its unlimited tax bonds and the Contract Tax.

Management

Each Participant is governed by a board of directors, consisting of five (5) members, which has control and management of all affairs of such Participant. Directors of each Participant are elected by the voters within that Participant to serve four (4)-year staggered terms. All such directors reside or own property within the Participant on whose board they serve. None of the Participants have any employees. Each Participant contracts for all services required to maintain its operations. The TCEQ exercises continuing supervisory jurisdiction over each Participant, and, in addition, operation of each Participant’s water, wastewater, and drainage facilities is subject to regulation by other agencies.

Financial Data

See “APPENDIX A – Certain Financial Information Regarding the Participants” for financial information for each Participant.

REGIONAL DISTRICT CONTRACT

MUD 4 and the other Participants have executed the Regional District Contract with the Regional District for the financing, operation, and maintenance of the regional facilities described below and obtained the approval of the Regional District Contract from voters at elections held within their respective boundaries. The Regional District, in its capacity as the provider for the Regional District Facilities, will construct the Regional District Facilities and provide services from those Regional District Facilities.

The Regional District Contract provides that all Participants shall pay a pro rata share of debt service on the Contract Revenue Bonds, including the Bonds, based upon each Participant's Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all the Participants, calculated annually. Calculation of the Contract Payment is based upon Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the Participants. Each Participant is obligated to pay its pro rata share of the annual debt service payments from the proceeds of the Contract Tax, revenues derived from the operation of its water distribution and wastewater collection system or from any other legally available funds. The Contract Tax shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with the Contract Revenue Bonds, including the Outstanding Bonds and the Bonds, the principal, interest, and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the applicable bond resolution. Each Participant's Contract Payment will be calculated annually by the Regional District; however, the levy of a Contract Tax or the provisions of other funds to make its contract payments is the sole responsibility of each Participant.

The Regional District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Regional District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Regional District is the financing vehicle for all Regional District Facilities and will own and operate all Regional District System Facilities (except for roadways that are accepted by Harris County or Waller County, as applicable, for operation and maintenance).

Each Participant will own and operate its internal facilities. The internal facilities are expected to be financed with unlimited tax bonds sold by each of the Participants. It is anticipated that the Regional District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Regional District fails to finance or provide Regional District System Facilities as required by the Service Area, each Participant has the right pursuant to the Regional District Contract to design, acquire, construct, or expand the Regional District System Facilities needed to provide it with service.

Each Participant is further obligated to pay monthly charges to the Regional District, for water and wastewater services rendered pursuant to the Regional District Contract. The monthly charges to be paid by each Participant to the Regional District will be used to pay its share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Participant's share of operation and maintenance expenses is based upon a "unit cost" of operation and maintenance expense, calculated by the Regional District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Regional District for operation and maintenance expenses will be calculated by multiplying the number of ESFCs reserved to it on the first day of the previous month by the unit cost per ESFC.

Pursuant to the Regional District Contract, each Participant is obligated to establish and maintain rates, fees, and charges for its water and wastewater services which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay operation and maintenance charges of the Regional District, to pay other costs of operating and maintaining its own utility system, and to pay its obligations pursuant to the Regional District Contract, including its Contract Payments. The Regional District does not expect that revenues from the Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. All sums payable by each Participant to the Regional District pursuant to the Regional District Contract are to be paid by such Participant without set off, counterclaim, abatement, suspension, or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Regional District Contract provides that the Regional District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Regional District's facilities by such Participant in addition to the Regional District's other remedies pursuant to the Regional District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Regional District under the Regional District Contract. See "THE BONDS – Source of Payment."

Each Participant is obligated severally, but not jointly, to make Contract Payments to the Regional District in an amount sufficient to pay its debt service requirements on Contract Revenue Bonds. No Participant is obligated, contingently or otherwise, to make any Contract Payments owed by any other Participant; however, lack of payment by any Participant could result in an increase in the Contract Payment amount paid by each of the other Participants.

THE REGIONAL DISTRICT

Management of the District

The Regional District is governed by its Board of Directors (the “Board”) consisting of five directors, who have control over and management supervision of all affairs of the Regional District. All of the directors own property in the Regional District. The directors serve staggered, four-year terms. Elections are held in even-numbered years in May. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Rhonda Gideon	President	2028
Erica Tabrizi	Vice President	2028
Ruth Delaunay	Secretary	2028
Way Denkler	Assistant Secretary	2026
Sabrina Alaquez	Assistant Vice President	2026

Investment Policy

The Regional District has adopted an Investment Policy (the “Investment Policy”) as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “Public Funds Investment Act”). The Regional District’s goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the Regional District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the Regional District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation (“FDIC”) and secured by collateral authorized by the Public Funds Investment Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The Regional District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the portfolio.

Consultants

Although the Regional District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Tax Assessor/Collector: The tax assessor/collector for the Regional District is Bob Leared Interests, Inc.

Bookkeeper: The Regional District’s bookkeeper is Myrtle Cruz, Inc. (the “Bookkeeper”).

Utility System Operator: Municipal District Services, LLC is the operator of the System.

Auditor: As required by the Texas Water Code, the Regional District retains an independent auditor to audit the Regional District’s financial statements annually, which annual audit is filed with the TCEQ. The Regional District engaged McGrath & Co., PLLC as its auditor for the fiscal year ended April 30, 2024, which audited financial statements are included herein under “APPENDIX B.”

Engineer: The Regional District’s engineer is Quiddity Engineering, LLC. (the “Engineer”).

Attorney: The Regional District has engaged Schwartz, Page & Harding, L.L.P., as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid to Bond Counsel in connection with the issuance of the Regional Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.” The Regional District has engaged Allen Boone Humphries Robinson, LLP, Houston, Texas, as general counsel.

Disclosure Counsel: The Regional District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as disclosure counsel (“Disclosure Counsel”) in connection with the issuance of the Bonds. The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated serves as financial advisor (“Financial Advisor”) to the Regional District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

The Service Area

The Service Area contains approximately 2,303.88 acres. This approximate 2,303.88 acres is comprised of the land within MUD 4 (140.29 acres), MUD 5 (489.32 acres), MUD 37 (410.07 acres), MUD 569 (568.04 acres), and MUD 35 (696.16 acres). The Participants (MUD 4, MUD 5, MUD 37, MUD 569, and MUD 35) have entered into the Regional District Contract with the Regional District. Pursuant to the Regional District Contract, the Regional District is obligated to provide the Regional District Facilities to serve the land in the Service Area. A portion of the Service Area is located in Harris County, Texas, and a portion of the Service Area is located in Waller County, Texas, approximately 30 miles west of the central business district of the City of Houston, Texas. The Service Area is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas. A portion of the Service Area lies within the Katy Independent School District, and a portion of the Service Area lies within Royal Independent School District.

Status of Development Within the Service Area

Currently, development activity is either completed or ongoing within the boundaries of all Participants. Within the Service Area, approximately 1,098.53 acres (4,605 lots) have been developed as the single-family residential subdivisions of Sunterra, Sections 1-46, and 48-53. As of May 1, 2024, approximately 2,717 homes were complete (approximately 2,307 occupied and approximately 410 unoccupied), approximately 372 homes were under construction, and approximately 1,516 lots were developed and vacant.

Homebuilders Active Within the Service Area

The homebuilders active within the Service Area are Adams Homes, Anderson Homes, Anglia Homes, Ashton Woods Homes, Beazer Homes, Brightland Homes, CastleRock Communities, Centex Homes, Chesmar Homes, Colina Homes, Davidson Homes, D.R. Horton, Empire, Hamilton Thomas Homes, Highland Homes, HistoryMaker Homes, KB Home, Lennar Homes, LGI Homes, Long Lake, Perry Homes, Pulte Homes, Shea Homes, TriCoast Homes, and Westin Homes. Prices of new homes being constructed within the Service Area range from approximately \$260,000 to \$800,000 and range in size from approximately 1,400 to 4,000 square feet.

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General Fund Operating Statement

The following is a summary of the Regional District’s operating fund activity. The summary below has been prepared by the Financial Advisor based upon information obtained from the Regional District’s audited financial statements for the fiscal year ended April 30, 2024. Reference is made to such statements for further and more complete information. See “APPENDIX B.”

	Fiscal Year Ended April 30,		
	2024	2023	2022
<u>Revenues</u>			
Water Service	\$ 11,593	\$ 3,597	\$ -
Property Taxes	29,013	85,501	-
Penalties and Interest	228	2,932	-
Tap Connection and Inspection	104,825	11,330	-
Miscellaneous	20	-	-
Investment Earnings	<u>1,447</u>	<u>581</u>	<u>-</u>
Total Revenues	\$ 147,126	\$ 103,941	\$ -
<u>Expenditures</u>			
Current Service Operations			
Purchased Services	\$ -	\$ -	\$ 684
Professional Fees	29,066	23,668	156,841
Contracted Services	9,625	15,975	6,680
Administrative	3,324	11,777	13,091
Other	50	542	3,026
Intergovernmental			
Master District Connection Fees	13,948	9,785	-
Contractual Obligations	<u>24,859</u>	<u>11,902</u>	<u>-</u>
Total Expenditures	\$ 80,872	\$ 73,649	\$ (180,325)
Revenues Excess (Deficiency)	\$ 66,254	\$ 30,292	\$ (180,325)

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PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA
(July 2024)



THE DEVELOPERS

Role of the Developer

In general, the activities of a developer in a municipal utility district such as the Participants include purchasing the land, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Developers

The original developer in the Service Area was Katy 1039, Ltd. (the "Original Developer"), a Texas limited partnership and single purpose entity created by Land Tejas Companies, Ltd. solely for the purpose of developing the land located within the District. The General Partner of the Original Developer is L.T. Management, Inc., whose president is Mr. Al P. Brende. Mr. Brende is also the President of Land Tejas Companies, Ltd.

In December 2021, the Original Developer sold its interest in the project to Astro Sunterra, L.P., a Delaware limited partnership ("Astro Sunterra"), which is the current primary developer of land in the Service Area. Astro Sunterra was established by Mr. Al Brende and Starwood Land Astro Venture LP as a special purpose entity for the purpose of developing land and marketing developed land within the Service Area. Starwood Land Astro Venture LP has entered into a management agreement with Land Tejas Companies, Ltd. for the purpose of managing the day-to-day development activities within the Service Area.

According to Astro Sunterra, the primary assets of Astro Sunterra consist of its land in the Service Area and reimbursements due from the Regional District and the Participants. Further, according to Astro Sunterra, it is currently operating with a net income, with its income comprised almost entirely of revenues from the sale of real estate.

Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte"), is the developer of Sunterra, Sections 10, 12, and 13 within the Service Area. Pulte is affiliated with PulteGroup, Inc., which is publicly traded company on the New York Stock Exchange under the ticker symbol "PHM." For more information, visit www.pultegroupinc.com.

HMH Sunterra Land, LLC, a Texas limited liability company ("HMH Sunterra"), is the developer of Sunterra, Sections 18, 19, 20, and 22 within the Service Area. ONML Villas at Sunterra, LLC, a Texas limited liability company ("ONML Villas"), is the developer of Sunterra, Section 21 within the Service Area. HMH Sunterra and ONML Villas are affiliated with HistoryMaker Homes, a privately owned homebuilder active in the North Texas and Houston markets.

KB Home Lone Star Inc, a Texas corporation ("KB Home Lone Star"), is the developer of Sunterra, Sections 28 and 48 within the Service Area. KB Home Lone Star is an indirect wholly owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "KBH." For more information, visit www.kbhome.com.

Brightland Homes, Ltd., a Texas limited partnership ("Brightland Homes"), is the developer of Sunterra, Sections 46 and 47 within the Service Area. Brightland Homes is a privately owned homebuilder active in the Texas and Arizona markets.

Beazer Homes Texas, L.P., a Delaware limited partnership ("Beazer Homes"), is the developer of Sunterra, Sections 42-45, 51, and 52 within the Service Area. Beazer Homes is a subsidiary of Beazer Homes USA, Inc., a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "BZH." For more information, visit www.beazer.com.

Astro Sunterra, Pulte, HMH Sunterra, ONML Villas, KB Home Lone Star, Brightland Homes, and Beazer Homes are collectively referred to herein as the "Developers."

Developer Financing

Astro Sunterra has obtained financing for a portion of the development of Sunterra through the Public Finance Authority of Wisconsin (the "PFA"). The PFA issued \$164,990,000 Special Revenue Bonds, Series 2024 (the "PFA Bonds"), which are secured in part by the sale and assignment of Astro Sunterra's right to receive proceeds from the future sale of unlimited tax bonds issued by the Participants. According to Astro Sunterra, they are currently in compliance with all material

representations and certifications made with respect to the PFA Bonds and have made the necessary certifications required by the Texas Attorney General ensuring the proceeds of the Bonds are being used for lawful purposes authorized under Texas law. See "RISK FACTORS – Approval of the Bonds."

REGIONAL DISTRICT DEBT

General

The following tables and calculations relate to the Outstanding Bonds and the Bonds. The Regional District, the Participants, and various other political subdivisions of government which overlap all or a portion of the Regional District and the Participants are empowered to incur debt to be raised by taxation against all or a portion of the property within the Regional District and the Participants.

Regional Direct Debt:

The Outstanding Bonds (as of the Date of Delivery)	\$ 53,215,000
The System Bonds	\$ 15,770,000
The Road Bonds.....	<u>\$ 16,395,000</u>
Total Direct Debt.....	\$ 85,380,000
Estimated Overlapping Debt.....	<u>\$ 133,466,326</u> (a)
Total Direct and Estimated Overlapping Debt.....	\$ 218,846,326 (a)
Contract Revenue System Debt Service Fund Balance (as of July 18, 2024)	\$ 2,123,569(b)(d)
Contract Revenue Road Debt Service Fund Balance (as of July 18, 2024).....	\$ 2,436,183(c)(d)

-
- (a) Such amount includes the MUD 5 \$3,700,000 Unlimited Tax Bonds, Series 2024, the MUD 5 \$9,300,000 Unlimited Tax Park Bonds, Series 2024, the MUD 5 \$10,035,000 Unlimited Tax Road Bonds, Series 2024, the MUD 569 \$3,375,000 Unlimited Tax Bonds, Series 2024, the MUD 35 \$1,170,000 Unlimited Tax Bonds, Series 2024, the MUD 35 \$2,385,000 Unlimited Tax Road Bonds, Series 2024, and the MUD 37 \$11,650,000 Unlimited Tax Bonds, Series 2024. See "REGIONAL DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
 - (b) In addition to this amount, twelve (12) months of capitalized interest will be deposited into the Contract Revenue System Debt Service Fund upon closing and delivery of the System Bonds. Neither Texas law nor the System Bond Resolution requires that the Regional District maintain any particular sum in the Contract Revenue System Debt Service Fund. Money deposited into the Contract Revenue System Debt Service Fund can only be used to pay debt service on the Contract Revenue System Bonds, such as the System Bonds. Funds deposited into the Contract Revenue System Debt Service Fund are not pledged to the Contract Revenue Road Bonds, such as the Road Bonds.
 - (c) In addition to this amount, twelve (12) months of capitalized interest will be deposited into the Contract Revenue Road Debt Service Fund upon closing and delivery of the Road Bonds. Neither Texas law nor the Road Bond Resolution requires that the Regional District maintain any particular sum in the Contract Revenue Road Debt Service Fund. Money deposited into the Contract Revenue Road Debt Service Fund can only be used to pay debt service on the Contract Revenue Road Bonds, such as the Road Bonds. Funds deposited into the Contract Revenue Road Debt Service Fund are not pledged to the Contract Revenue System Bonds, such as the System Bonds.
 - (d) Each Participant is obligated to pay a pro rata share of debt service on the Contract Revenue Bonds by the dates specified by the Regional District. See "THE BONDS – Contract Payments by the Participants," "THE BONDS – Unconditional Obligation to Pay," and "REGIONAL DISTRICT CONTRACT."

Assessed Valuations of the Participants

Participant	2024 Gross Certified Assessed Valuation (a)	Percent of Total	Estimated Gross Assessed Valuation as of May 1, 2024 (b)	Percent of Total
MUD 4	\$ 2,446,879	0.25%	\$ 2,927,061	0.25%
MUD 5	479,167,120	48.68%	513,084,759	44.00%
MUD 569	147,030,545	14.94%	299,979,430	19.72%
MUD 35	104,905,041	10.66%	111,539,156	9.56%
MUD 37	250,728,087	25.47%	308,601,676	26.46%
Total	\$ 984,277,671	100.00%	\$ 1,166,132,082	100.00%

- (a) Represents the gross assessed valuation as of January 1, 2024, of all taxable property of all Participants in the Service Area, as provided by the Waller County Appraisal District and the Harris Central Appraisal District, as applicable. See "TAXING PROCEDURES" and "TAX DATA."
- (b) This amount is an estimate of the gross assessed value of all taxable property located within the Participants in the Service Area as provided by the Waller County Appraisal District and the Harris Central Appraisal District as of May 1, 2024. This amount represents an estimated \$2,927,061 for MUD 4, an estimated \$513,084,759 for MUD 5, an estimated \$229,979,430 for MUD 569, an estimated \$111,539,156 for MUD 35, and an estimated \$308,601,676 for MUD 37. No taxes will be levied on these estimated values. See "TAX DATA" and "TAXING PROCEDURES."

Tax Rates of the Participants

The Participants pay contract payments to the Regional District each March 1 and September 1 in equal amounts. The contract payment calculations for each Participant are based on the Participant's Gross Certified Assessed Valuation, as defined in the Regional District Contract, and does not make allowance for any exemptions granted by the Participant. See "REGIONAL DISTRICT CONTRACT."

Participant	2023 Debt Service Tax Rate	2023 Maintenance Tax Rate	2023 Contract Tax Rate (a)	2023 Total Tax Rate
MUD 4	\$ 0.000	\$ 1.140	\$ 0.360	\$ 1.500
MUD 5	0.285	0.635	0.580	1.500
MUD 569	0.000	0.900	0.600	1.500
MUD 35	0.000	0.610	0.890	1.500
MUD 37	0.050	0.870	0.580	1.500

- (a) The Regional District Contract provides that a Participant may make Contract Payments from the proceeds of the Contract Tax or from any other lawful sources, which include proceeds from the Participant's levy of a maintenance tax rate and operating funds advanced by the Developers. See "RISK FACTORS – Dependence on Major Taxpayers and the Developers."

Debt Ratios

Direct Debt Ratios (a):

As a Percentage of the 2024 Gross Certified Assessed Valuation of the Participants.....	8.67 %
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of May 1, 2024	7.32 %

Direct and Estimated Overlapping Debt Ratios (a):

As a Percentage of the 2024 Gross Certified Assessed Valuation of the Participants.....	22.23 %
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of May 1, 2024	18.77 %

- (a) Includes the Bonds and the Outstanding Bonds.

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the Regional District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the Regional District, the Regional District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the Regional District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes. Totals may not sum due to rounding.

Taxing Jurisdiction	Outstanding Debt June 30, 2024	Overlapping	
		Percent	Amount
Waller County	\$ 67,875,000	6.22%	\$ 4,222,560
Katy Independent School District (a)	2,140,560,000	1.50%	32,171,906
Royal Independent School District (a)	95,255,994	2.96%	2,818,789
Harris County	1,994,511,319	0.04% (b)	716,543
Harris County Flood Control District	991,095,000	0.04% (b)	363,903
Harris County Department of Education	28,960,000	0.04% (b)	10,442
Harris County Hospital District	65,285,000	0.04% (b)	25,887
Port of Houston Authority	426,134,397	0.04% (b)	156,296
Harris-Waller Counties MUD No. 5 (c)	55,690,000	100.00%	55,690,000
Waller County MUD No. 37 (d)	21,630,000	100.00%	21,630,000
Harris County MUD No. 569 (e)	7,895,000	100.00%	7,895,000
Waller County MUD No. 35 (f)	7,765,000	100.00%	<u>7,765,000</u>
Total Estimated Overlapping Debt			\$ 133,466,326
The Regional District (g)			<u>\$ 85,380,000</u>
Total Direct & Estimated Overlapping Debt (g)			\$ 218,846,326

- (a) The portion of the Service Area within MUD 35 is located in Royal Independent School District. The remainder of the Service Area is located in Katy Independent School District.
- (b) A portion of the Service Area is located in Harris County, Texas. The 2024 taxable assessed value of such property located within the Service Area in Harris County represents less than 0.004% of the value of the Harris County taxing jurisdictions noted above.
- (c) The outstanding debt of MUD 5 noted above includes the \$3,700,000 Unlimited Tax Bonds, Series 2024, the \$9,300,000 Unlimited Tax Park Bonds, Series 2024, and the \$10,035,000 Unlimited Tax Road Bonds, Series 2024, which are expected to close on or about September 26, 2024.
- (d) The outstanding debt of MUD 37 noted above includes the \$11,650,000 Unlimited Tax Bonds, Series 2024, which are expected to close on or about September 12, 2024.
- (e) The outstanding debt of MUD 569 noted above includes the \$3,375,000 Unlimited Tax Bonds, Series 2024, which are expected to close on or about September 11, 2024.
- (f) The outstanding debt of MUD 35 noted above includes the \$1,170,000 Unlimited Tax Bonds, Series 2024, and the \$2,385,000 Unlimited Tax Road Bonds, Series 2024, which are expected to close on or about September 11, 2024.
- (g) Includes the Bonds and the Outstanding Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

Each Participant is authorized to levy a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within its boundaries in sufficient amount to pay the principal of and interest on any unlimited tax bonds issued by it, Contract Payments on the Contract Revenue Bonds, including the Outstanding Bonds and the Bonds, that the Regional District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. Voters within each Participant have also authorized the levy of a maintenance and operations tax not to exceed \$1.500 per \$100 valuation for the operation and maintenance of water, wastewater, drainage, and park and recreational facilities and a maintenance and operations tax not to exceed \$0.250 per \$100 valuation for the operation and maintenance of road facilities.

Property Tax Code and County wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Regional District is located in Waller County and Harris County. The Waller County Appraisal District has the responsibility for appraising property in the Regional District located within Waller County and the Harris Central Appraisal District has the responsibility for appraising property in the Regional District located within Harris County. Such appraisal values are subject to review and change by the Waller County Appraisal Review Board or the Harris County Appraisal Review Board, as applicable. Under certain circumstances, taxpayers and taxing units (such as the Regional District) may appeal the orders of said appraisal review board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by court of by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by either the Waller County Appraisal District or the Harris Central Appraisal District, as applicable, and approved by the applicable appraisal review board, must be used by each taxing jurisdiction in establishing its tax roll and rate. The Regional District is eligible, along with all other conversation and reclamation districts within Waller County and Harris County, to participate in the nomination of and vote for a member of the Board of Directors of each county's respective appraisal district.

Property Subject to Taxation by the Participants

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in in each Participant are subject to taxation by that Participant. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, each Participant may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The Participants may be required to offer such exemptions if a majority of voters approve same at an election. The Participants would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The Participants are authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the Participant's obligation to pay tax supported debt incurred prior to adoption of the exemption by the Participant. Furthermore, the Participants must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be

transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. To date, no Participant has granted an exemption for persons over 65 years of age and for disabled persons.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted before July 1. To date, none of the Participants have adopted a homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the Participants do not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the Participants may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The Participants have taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County or Waller County may designate all or part of the Service Area within its boundaries a reinvestment zone. Thereafter, Harris County, Waller County and the Participant, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the Participants, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, neither Harris County nor Waller County has designated any of the Service Area as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the Service Area must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the Participants in establishing their tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property

Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Participants can collect taxes based on the new use, including taxes for the previous three (3) years, for open space land and timberland. According to the Regional District's Tax Assessor/Collector, as of January 1, 2024, approximately 0 acres of land were designated for agricultural use, open space, timberland, or inventory deferment.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county wide basis. The Participants, however, at their expense, have the right to obtain from the Appraisal District a current estimate of appraised values within that Participant or an estimate of any new property or improvements within that Participant. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the Service Area, it cannot be used for establishing a tax rate within the Service Area until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the Participants, adopting its tax rate for the tax year. A taxing unit, such as the Participants, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Participant and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Participants, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Participants and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The Participants are responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within that Participant, based upon: a) the valuation of property within that Participant as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the Participant and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the Participant and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the Participant, may be rejected by taxing units. The Participant's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a

residence homestead for payment of taxes, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the Participants, if the taxpayer pays at least $\frac{1}{4}$ th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

Additionally, the Property Tax Code authorizes a taxing jurisdiction, such as the Participants, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Rollback of Maintenance and Operations Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies certain municipal utility districts, including the Regional District, differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Low Tax Rate Districts

Low Tax Rate Districts that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is

called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The Participants

For the 2023 tax year, each Participant has made the determination of its status as a Developing District. The Participants cannot give any assurances as to what its classification will be at any point in time or whether the Participants' future tax rates will result in a total tax rate that will reclassify the Participants into a new classification and new election calculation.

Participant's Rights in the Event of Tax Delinquencies

Taxes levied by the Participants are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of Texas and each taxing unit, including the Participants, having the power to tax the property. The Participants' tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Participants is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the Regional District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the Regional District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Regional District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The Regional District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the Regional District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS - Tax Collection Limitations."

TAX DATA

Contract Tax

The Regional District has the authority to issue Contract Revenue Bonds. Each Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each Participant's Gross Certified Assessed Valuation by the total of all Participants' Gross Certified Assessed Valuation, calculated annually. Calculation of the Contract Payments is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemption granted by the Participants; however, allowances are made for exemptions provided under State law that do not require action by the Participants. See "TAXING PROCEDURES." The Regional District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual unlimited Contract Taxes, from revenues derived from the operation of its water distribution and wastewater collection systems, or from any other legally available funds. The debt service requirement shall include principal, interest, and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amount necessary to establish and maintain funds established under the applicable bond resolution.

Debt Service Tax

Each Participant has the statutory authority to issue its unlimited tax bonds for the purpose of providing facilities to serve the land within its boundaries. Such bonds will be paid by a continuing direct annual ad valorem tax, without legal limit as to rate or amount, adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to Contract Taxes. See "APPENDIX A - Certain Financial Information Regarding the Participants" for information related to each Participant's historical tax data and authorized but unissued unlimited tax bonds.

Maintenance and Operations Tax

Each Participant has the statutory authority to levy and collect an annual ad valorem tax for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing, and operating all necessary land, plants, works facilities, improvements, appliances, and equipment, if such maintenance and operations tax is authorized by a vote of the Participant’s electors. Each Participant is authorized by its voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation.

Each Participant is also authorized by its voters to levy a maintenance tax for road improvements in an amount not to exceed \$0.25 per \$100 of assessed valuation.

Such taxes would be in addition to Contract Taxes and taxes levied for paying principal of and interest on any unlimited tax bonds which may be issued by the Participants. See “APPENDIX A – Certain Financial Information Regarding the Participants.”

Tax Rate Limitation

Contract Tax: Unlimited (no legal limit as to rate or amount).
 Debt Service: Unlimited (no legal limit as to rate or amount).
 Maintenance:..... \$1.50 per \$100 Taxable Assessed Valuation.
 Maintenance (Roads):..... \$0.25 per \$100 Taxable Assessed Valuation.

Estimated Overlapping Taxes

Property within the Regional District is subject to taxation by several taxing authorities in addition to the Participants. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of a Participant is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of a Participant and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes and the Participants are authorized to levy Contract Taxes. See “REGIONAL DISTRICT DEBT – Estimated Direct and Overlapping Debt Statements.”

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2023 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	2023 Tax Rates	
	Waller County (a)	Harris County (b)
The Participants	\$1.500000	\$1.500000
Waller County	0.498691	---
Waller County Road	0.024252	---
Brookshire Katy Drainage District	0.060420	---
Waller Harris Emergency Service District No. 200	0.086301	0.086301
Katy Independent School District (c)	1.119400	1.119400
Harris County	---	0.350070
Harris County Flood Control District	---	0.031050
Harris County Department of Education	---	0.004800
Harris County Hospital District	---	0.143430
Port of Houston Authority	---	0.005740
Total Tax Rate	\$3.289064	\$3.240791

- (a) Approximately 1,622.36 acres of the Service Area are located in Waller County, Texas.
- (b) Approximately 681.52 acres of the Service Area are located in Harris County, Texas.
- (c) The portion of the Service Area within MUD 35 is located in Royal Independent School District. The remainder of the Service Area is located in Katy Independent School District. For the 2023 tax year, Royal Independent School District levied a total tax rate of \$1.1163.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation which would be required to meet certain debt service requirements of the Outstanding Bonds and the Bonds if no growth in the Participant’s tax base occurs beyond the 2024 Gross Certified Assessed Valuation (\$984,277,671) or the Estimated Gross Assessed Valuation of the Participants as of May 1, 2024 (\$1,166,132,082). The calculations assume collection of 95% of taxes levied, the sale of the Bonds, but not the sale of any additional bonds by the Regional District.

Average Annual Debt Service Requirement (2024–2050)	\$5,513,967
Contract Tax Rate of \$0.59 on the 2024 Gross Certified Assessed Valuation produces.....	\$5,516,876
Contract Tax Rate of \$0.50 on the Estimated Gross Assessed Valuation as of May 1, 2024 produces.....	\$5,539,127
Maximum Annual Debt Service Requirement (2048).....	\$6,016,813
Contract Tax Rate of \$0.65 on the 2024 Gross Certified Assessed Valuation Produces.....	\$6,077,915
Contract Tax Rate of \$0.55 on the Estimated Gross Assessed Valuation as of May 1, 2024 produces.....	\$6,093,040

Gross Assessed Valuation Summary

The following represents the type of property comprising the 2023 tax rolls of each Participant as certified by the Appraisal District.

Type of Property	MUD 4	MUD 5	MUD 569	MUD 35	MUD 37
	2023 Gross Certified Assessed Valuation	2023 Gross Certified Assessed Valuation	2023 Gross Certified Assessed Valuation	2023 Gross Certified Assessed Valuation	2023 Gross Certified Assessed Valuation
Land	\$ 3,427,486	\$109,389,234	\$ 66,221,914	\$ 56,928,955	\$ 77,596,417
Improvements	0	262,672,762	338,689	0	19,572,318
Personal Property	130,684	2,555,290	19,500	256,370	217,791
Exemptions	(1,110,213)	(16,811,757)	(2,464,864)	(20,407,659)	(2,939,434)
Total	\$ 2,447,957	\$357,805,529	\$ 64,115,239	\$ 36,777,666	\$ 94,447,092

Principal Taxpayers

The following are the principal taxpayers in the Service Area as shown on the Participant’s certified appraisal rolls for the 2023 tax year.

Taxpayer	Types of Property	Gross Value 2023 Tax Roll (a)	Percent of District Value
Astro Sunterra LP (b)	Land & Improvements	\$ 16,954,101	3.05%
Lennar Homes of Texas (c)	Land & Improvements	13,217,927	2.38%
Sunterra SFR Owner LLC (b)	Land & Improvements	12,140,570	2.19%
ONML Villas at Sunterra LLC	Land & Improvements	9,503,447	1.71%
Cire Lot Venture LP	Land & Improvements	9,108,290	1.64%
Beazer Homes Texas LP (b)(c)	Land & Improvements	8,808,957	1.59%
Starlight Homes Texas LLC (c)	Land & Improvements	7,160,235	1.29%
Westin Homes & Properties (c)	Land & Improvements	6,144,860	1.11%
HMH Lifestyles LP (c)	Land & Improvements	5,972,500	1.07%
Brightland Homes LTD (b)(c)	Land & Improvements	5,818,370	1.05%
		<u>\$107,883,208</u>	<u>19.42%</u>

- (a) Represents the principal taxpayers in the Service Area as shown in the Participant’s certified appraisal rolls for the 2023 tax year. As of the date hereof, certified appraisal rolls for the 2024 tax year have not yet been provided by the Harris Central Appraisal District.
- (b) See “THE DEVELOPERS – Developers.”
- (c) See “THE REGIONAL DISTRICT – Homebuilders Active Within the Service Area.”

THE REGIONAL DISTRICT FACILITIES

General

The internal water distribution, wastewater collection, and stormwater facilities are being provided by the Participants. Water supply and wastewater treatment are being provided and financed by the Regional District but owned and operated by Quadvest through contractual agreement. All of such water, wastewater, and drainage facilities are referred to herein as the "System." The Regional District, pursuant to the Regional District Contract, has the responsibility to finance such regional facilities necessary to serve the Service Area.

Regulation

Construction and operation of the water, wastewater, and drainage facilities serving the Service Area is subject to regulation by all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the United States Environmental Protection Agency, TCEQ, Harris County, Waller County, the City, and the Brookshire-Katy Drainage District. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Wholesale Agreement for Water and Wastewater Service

On September 15, 2020, the Original Developer and Quadvest, L.P., a Texas Limited Partnership ("Quadvest"), entered into that Wholesale Agreement for Water and Wastewater Service (the "Wholesale Agreement") to provide water supply and wastewater treatment capacity to serve up to 3,000 ESFCs in Sunterra. On May 10, 2021, the Wholesale Agreement was assigned by the Original Developer to the Regional District and amended to provide for water supply and wastewater treatment capacity to serve up to 6,968 ESFCs in the Service Area. On August 18, 2022, a second amendment of the Wholesale Agreement was entered into by the parties.

Under the terms of the Wholesale Agreement, Quadvest is responsible for financing and constructing the water supply and wastewater treatment plants (the "Plant Facilities") to provide water and wastewater service to the Participants, including the Regional District, via the Regional District. The Regional District and the Participants are responsible for financing and constructing the facilities to deliver water and wastewater service to customers within the Service Area. In exchange for constructing and operating the Plant Facilities, Quadvest has received or will receive the following:

- a) Initial Payment – the Original Developer made an initial payment of \$500,000 to Quadvest. Such payment will offset the final Capacity Payments (defined below).
- b) Capacity Payments – Quadvest will receive \$1,150 per platted lot (the "Capacity Payments"). The Capacity Payments are due the earlier of:
 - a. Issuance of Regional District bond proceeds for such Capacity Payments; or
 - b. Thirty-six (36) months following the recording of the plat for each section.

Source of Water Supply and Wastewater Treatment

The Participants, including the Regional District, obtain water from the Regional District which obtains water from Quadvest, which holds Certificate of Convenience and Necessity No. 11612 for water according to the Wholesale Agreement.

Quadvest has completed construction of Water Plant No. 1 which consists of 2 water wells (approximately 1035 gpm); two (2) 352,500-gallon ground storage tanks; two (2) 15,000 gallon hydro-pneumatic tanks; and six (6) 1,200 gpm booster pumps. Quadvest is in the process of constructing Water Plant No. 3 and a water well to provide additional service to the Regional District. Water Plant No. 3 consists of one (1) water well (approximately 1,000-gpm of capacity); one (1) 352,500-gallon ground storage tanks; one (1) 15,000-gallon hydro-pneumatic tanks; and three (3) 1,200-gpm booster pumps. The anticipated construction completion date of Water Plant No. 3 is December 2024.

The Participants, including the Regional District, obtain wastewater capacity from the Regional District, which obtains wastewater treatment capacity from Quadvest through its Lakehouse Wastewater Treatment Facility. The TCEQ issued Quadvest a wastewater discharge permit for Lakehouse Wastewater Treatment Facility, dated August 12, 2022, authorizing the treatment and disposal from the facility (Texas Pollutant Discharge Elimination System Permit No. WQ0015101001), which expires on August 12, 2027. The Lakehouse Wastewater Treatment Facility is currently serving 499 ESFCs in the Service Area and has the capacity to serve 1,000 ESFCs in the Service Area.

Quadvest is currently constructing the Sunterra Wastewater Treatment Plant Phase I which will have an average daily flow of 1,000,000 gpd. The TCEQ issued Quadvest a wastewater discharge permit for the Sunterra Wastewater Treatment Plant, dated May 20, 2022, authorizing the treatment and disposal from the facility (Texas Pollutant Discharge Elimination System Permit No. WQ0016041001), which expires on May 20, 2027. Upon completion, Sunterra Wastewater Treatment Plant Phase I will be capable of serving 4,000 ESFCs. The construction started in July 2023 with an anticipated completion in September 2024.

Quadvest is currently designing and constructing Water Plant No. 2 to provide additional service to the Regional District. Water Plant No. 2 will consist of two (2) water wells (approximately 1,000-gpm of capacity); and one (1) 750,000-gallon elevated storage tank. Water Plant No. 2 will the capacity to serve a total of 7,500 ESFCs in the Service Area. Currently, approximately 2,311 ESFCs are being served in the Service Area.

Quadvest is currently operating in Phase II of the permit. In Phase II, the final effluent average daily flow is limited to 250,000 gpd, with a maximum peak flow of 347 gpm during any two-hour period (2-hour peak). Currently, approximately 2,311 ESFCs are being served in the Service Area.

Quadvest is constructing the Sunterra Wastewater Treatment Plant Phase I which will have an average daily flow of 1,000,000 gpd. The TCEQ issued Quadvest a wastewater discharge permit for the Sunterra Wastewater Treatment Plant, dated May 20, 2022, authorizing the treatment and disposal from the facility (Texas Pollutant Discharge Elimination System Permit No. WQ0016041001), which expires on May 20, 2027. Construction of the Sunterra Wastewater Treatment Plant is projected to be complete in September of 2024. Upon completion, the wastewater facilities will have the total capacity 1,250,000 gpd (capable of serving 5,000 ESFCs at 250 gpd/ESFC).

Storm Drainage

The Service Area is located within the Cane Island Branch and Snake Creek watersheds. The Service Area contains storm water detention basins that are designed in accordance with the Brookshire-Katy Drainage District and the City's standards. The basin systems have three separate outfall locations that discharge into Cane Island Branch and Snake Creek.

Prior to development, the land contained within the Service Area's boundary naturally drained from northwest to southeast to the Cane Island Branch and the Clay Road roadside ditch. Cane Island Branch flows southernly and eventually the storm water enters Buffalo Bayou. For the land within the Service Area, curb and gutter streets with underground storm sewers were constructed with Sunterra Sections 1– 44, 46, 49, and 50, Sunterra Shores Section 1 - 4, Sunterra Shores Section 2, Crystal Vista Drive, Bartlett Road, Stockdick Road projects, Sunterra Drainage Pipes and Outfalls, and Sunterra Phase 1, 2, 2B, 3 South, 3 North, Pod 1&2 Detention and Mass Grading. All undeveloped land drains naturally to boundary swales and future detention areas that flow to Cane Island Branch. Storm water is conveyed through the storm sewers, into the detention system, then into Cane Island Branch, and from Cane Island Branch, the storm water enters Buffalo Bayou.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the "100-year flood plain," is depicted on these maps. The 100-year flood plain as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, approximately 562 acres within the Service Area lie within the 100-year floodplain.

A Letter of Map Revision for fill has been submitted to FEMA for Sunterra, Sections 10, 12, 13, 14, 16, 17, 18, 19, 21, 22, 24, 25, 26, 27, 29, 30, 31, 49, and 50 within the Service Area. In the future, there will be additional Letter of Map Revisions based on Fill submitted to FEMA for approval to remove areas of the Service Area with developable land that is currently within the official floodplain. Additionally, a formal Letter of Map Revision has been submitted to FEMA to officially update the maps once the fill for the development is in place. Full approval is anticipated for December 2023.

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

LEGAL MATTERS

Legal Opinions

The Regional District will furnish to the Initial Purchasers a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the Regional District payable from the proceeds of an annual

ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the Regional District. The Regional District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the Regional District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Regional District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the Regional District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" herein. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from Contract Payments. Bond Counsel's opinion will also address the matters described below.

The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold, and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Regional District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS" (except for information under the subheadings "Book-Entry-Only System," "Use and Distribution of System Bond Proceeds," and "Use and Distribution of Road Bond Proceeds") "THE PARTICIPANTS," "REGIONAL DISTRICT CONTRACT," "TAXING PROCEDURES," "THE REGIONAL DISTRICT FACILITIES - Wholesale Agreement for Water and Wastewater Service," and "LEGAL MATTERS" (as it relates to the opinion of Bond Counsel), solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the Regional District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings, and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the Regional District, including information and representations contained in the Regional District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the Regional District contained in the Bond Resolutions relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the Regional District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations, and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

Not-Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The Regional District has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation’s “adjusted financial statement income” determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership, or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Tax Accounting Treatment of Original Issue Discount Bonds and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the “Original Issue Discount Bonds”). The difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes

original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See “Tax Exemption” herein for a discussion of certain collateral federal tax consequences.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the “Premium Bonds”). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

NO MATERIAL ADVERSE CHANGE

The obligations of the Initial Purchasers to take and pay for the Bonds, and of the Regional District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the Regional District subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the Regional District, execute and deliver to the Initial Purchasers a certificate dated as of the Date of Delivery, to the effect that no litigation of any nature of which the Regional District has notice is pending against or, to the knowledge of the Regional District’s certifying officers, threatened against the Regional District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the Regional District or the title of the then present officers and directors of the Board.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolutions, the Regional District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Regional District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Regional District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The Regional District will provide certain updated financial information and operating data to the MSRB annually.

The information to be updated with respect to the Regional District includes all quantitative financial information and operating data of the general type included under "REGIONAL DISTRICT DEBT," (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," "APPENDIX A – Certain Financial Information Regarding the Participants," and "APPENDIX B – Financial Statements of the Participants." The Regional District will update and provide this information within six (6) months after the end of each of the fiscal years ending in or after 2025. The Regional District will provide the updated information to EMMA.

The Regional District will provide the updated information to the MSRB through its EMMA system. The Regional District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule"). The updated information will include audited financial statements if an audit is commissioned and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the Regional District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolutions, or such other accounting principles as the Regional District and the Participants may be required to employ from time to time pursuant to state law or regulation.

The Regional District's current fiscal year end is April 30. Accordingly, it must provide updated information by October 31 in each year, unless the Regional District changes its fiscal year. If the Regional District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The Regional District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of 10 business days after the occurrence of an event. The Regional District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Regional District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the Regional District or other obligated person or the sale of all or substantially all of the assets of the Regional District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the Regional District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Regional District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Regional District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligations" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolutions make any provision for debt service reserves or liquidity enhancement. In addition, the Regional District will provide timely notice of any failure by the Regional District to provide information, data, or financial statements in accordance with its agreement discussed under "Annual Reports."

Availability of Information from EMMA

The Regional District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The Regional District has agreed to update information and to provide notices of material events only as described above. The Regional District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results, operations, conditions, or prospects or to update any information that is provided, except as described above. The Regional District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Regional District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although registered owners and beneficial owners of the Bonds may seek a writ of mandamus to compel the Regional District to comply with its agreement.

The Regional District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Regional District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the Regional District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Regional District may amend or repeal the agreement in the Bond Resolutions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchasers from lawfully purchasing the Bonds in the initial offering. If the Regional District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports," an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with the continuing disclosure undertakings in accordance with the Rule.

OFFICIAL STATEMENT

General

The information contained herein has been obtained primarily from the Regional District's records, the Regional District Engineer, the Developers, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The Regional District's financial statements and the financial statements for MUD 5 and MUD 37, were audited by McGrath & Co., PLLC and are attached hereto under "APPENDIX B – Financial Statements of the Participants." McGrath & Co., PLLC has consented to the publication of such financial statements herein. The financial statements of MUD 569 and MUD 35 as of May 31, 2023, and for the period from inception (June 10, 2019) to May 31, 2023, included in this offering document, have been audited by FORVIS, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX B – Financial Statements of the Participants."

Experts

The information contained in the Official Statement relating to engineering and to the description of Regional District Facilities, and, in particular, that engineering information included under "THE REGIONAL DISTRICT – Status of Development Within the Service Area" and "THE REGIONAL DISTRICT FACILITIES," has been provided by the Regional District Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained herein relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations included under "TAX DATA" and "REGIONAL DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax

Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The Regional District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the Regional District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the Regional District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the Regional District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of this Official Statement, the Regional District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchasers, of any adverse event which causes this Official Statement to be materially misleading, and unless the Initial Purchasers elect to terminate its obligation to purchase the Bonds, the Regional District will promptly prepare and supply to the Initial Purchasers an appropriate amendment or supplement to this Official Statement satisfactory to the Initial Purchasers; provided, however, that the obligation of the Regional District to so amend or supplement this Official Statement will terminate when the Regional District delivers the Bonds to the Initial Purchasers, unless the Initial Purchasers notify the Regional District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the Regional District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the Regional District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the Regional District's records, audited financial statements, and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained herein are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Harris-Waller Counties Municipal Utility District No. 4 as of the date shown on the cover page hereof.

/s/ Rhonda Gideon
President, Board of Directors
Harris-Waller Counties Municipal Utility District No. 4

ATTEST:

/s/ Ruth Delaunay
Secretary, Board of Directors
Harris-Waller Counties Municipal Utility District No. 4

APPENDIX A

Certain Financial Information Regarding the Participants

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 4

(IN ITS CAPACITY AS A PARTICIPANT)

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	\$	27,610,000
Voter Authorized Unlimited Tax Road Bonds.....	\$	28,545,000
Voter Authorized Unlimited Tax Park Bonds.....	\$	23,285,000
Total Principal Amount of Unlimited Tax Bonds Issued.....	\$	0
Debt Service Tax Limitation (per \$100 of Assessed Valuation)		Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation)		\$ 1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation)		\$ 0.250
Contract Tax Limitation.....		Unlimited
Gross Outstanding Direct Debt.....	\$	0
2024 Gross Certified Assessed Valuation	\$	2,446,879
Estimated Gross Assessed Valuation as of May 1, 2024	\$	2,927,061
Gross Assessed Valuation as a Percentage of the:		
2024 Gross Certified Assessed Valuation of the Participants		0.25 %
Estimated Gross Assessed Valuation as of May 1, 2024.....		0.25 %
Average Annual Debt Service Requirement (2024–2050):	\$	5,513,967
Pro Rata Share Based on the 2024 Gross Certified Assessed Valuation	\$	13,708
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2024.....	\$	13,840
Maximum Annual Debt Service Requirement (2048):	\$	6,016,813
Pro Rata Share Based on the 2024 Gross Certified Assessed Valuation	\$	14,958
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2024.....	\$	15,103
Tax Rate Required to Pay Pro Rata Share Based Upon		
2024 Gross Certified Assessed Valuation, at 95% Tax Collections		
Average Annual Debt Service Requirement.....	\$	0.59
Maximum Annual Debt Service Requirement.....	\$	0.65
Tax Rate Required to Pay Pro Rata Share Based Upon		
Estimated Gross Assessed Valuation as of May 1, 2024, at 95% Tax Collections		
Average Annual Debt Service Requirement.....	\$	0.50
Maximum Annual Debt Service Requirement.....	\$	0.55
Status of Development as of May 1, 2024 (a):		
Approximate Total Developed Acreage.....		140 (a)
Single-Family Homes.....		0
Total Developed Lots		0

(a) No lands in MUD 4 have or will be developed for single-family residential properties. Lands in MUD 4 are primarily dedicated to major thoroughfares, detention ponds, and commercial parcels. All commercial parcels have been developed in that utilities have been constructed to service the parcels, however no commercial improvements have been constructed to date.

Principal Taxpayers

The following represents the principal taxpayers on MUD 4's 2023 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Gross Certified Assessed Valuation 2023 Tax Roll
KA Great Minds West LLC	Land	\$ 1,097,170
Astro Sunterra LP	Land	541,260
VIC at Sunterra	Land	433,086
Sunterra Market LLC	Land	267,930
Hilcorp Energy Co	Land	94,593
Director Lot	Land	5,112
Director Lot	Land	1,350
Director Lot	Land	1,350
Director Lot	Land	1,350
Director Lot	Land	1,350
Total		\$ 2,444,551
Percent of Tax Roll (a)		99.86%

(a) Based on MUD 4's total taxable assessed valuation as of January 1, 2023.

Historical Tax Collections

The following represents the historical tax collections for MUD 4.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 5/31/2024
2022	\$5,700,396	\$1.50	\$85,506	99.99%	2023	100.00%
2023	2,447,957	1.50	36,719	99.99%	2024	99.99%

(a) Total tax rate per \$100 of assessed valuation for each respective tax year.

Tax Rate Distribution

The following represents the components of the tax rate for MUD 4 for the 2022 and 2023 tax year.

	2023	2022
Debt Service	\$0.0000	\$0.0000
Contract Tax	\$0.3600	\$0.0000
Maintenance and Operations	<u>\$1.1400</u>	<u>\$1.5000</u>
	\$1.5000	\$1.5000

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 5

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	\$	134,830,000
Voter Authorized Unlimited Tax Road Bonds.....	\$	127,245,000
Voter Authorized Unlimited Tax Park Bonds.....	\$	49,780,000
Total Principal Amount of Unlimited Tax Bonds Issued.....	\$	55,690,000 (a)
Debt Service Tax Limitation (per \$100 of Assessed Valuation)		Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation)		\$ 1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation)		\$ 0.250
Contract Tax Limitation.....		Unlimited
Gross Outstanding Direct Debt.....	\$	55,690,000 (a)
2024 Gross Certified Assessed Valuation.....	\$	479,167,120
Estimated Gross Assessed Valuation as of May 1, 2024	\$	513,084,759
Gross Assessed Valuation as a Percentage of the:		
2024 Gross Certified Assessed Valuation of the Participants		48.68 %
Estimated Gross Assessed Valuation as of May 1, 2024.....		44.00 %
Average Annual Debt Service Requirement (2024–2050):	\$	5,513,967
Pro Rata Share Based on the 2024 Gross Certified Assessed Valuation	\$	2,684,315
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2024.....	\$	2,426,082
Maximum Annual Debt Service Requirement (2048):	\$	6,016,813
Pro Rata Share Based on the 2024 Gross Certified Assessed Valuation	\$	2,929,111
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2024.....	\$	2,647,329
Tax Rate Required to Pay Pro Rata Share Based Upon		
2024 Gross Certified Assessed Valuation at 95% Tax Collections		
Average Annual Debt Service Requirement.....	\$	0.59
Maximum Annual Debt Service Requirement.....	\$	0.65
Tax Rate Required to Pay Pro Rata Share Based Upon		
Estimated Gross Assessed Valuation as of May 1, 2024, at 95% Tax Collections		
Average Annual Debt Service Requirement.....	\$	0.50
Maximum Annual Debt Service Requirement.....	\$	0.55
Status of Single-Family Development as of May 1, 2024:		
Approximate Total Developed Acreage.....		456
Single-Family Homes.....		1,399 (c)
Total Developed Lots		1,643

(a) The outstanding debt of MUD 5 noted above includes the \$3,700,000 Unlimited Tax Bonds, Series 2024, the \$9,300,000 Unlimited Tax Park Bonds, Series 2024, and the \$10,035,000 Unlimited Tax Road Bonds, Series 2024, which are expected to close on or about September 26, 2024.

(b) Includes approximately 88 homes under construction as of May 1, 2024.

Principal Taxpayers

The following represents the principal taxpayers on MUD 5's 2023 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Gross Certified Assessed Valuation 2023 Tax Roll
Sunterra SFR Owner LLC	Land & Improvements	\$ 12,140,570
ONML Villas at Sunterra LLC	Land & Improvements	9,503,447
Pulte Homes of Texas LP	Land & Improvements	4,439,960
Lennar Homes of Texas	Land & Improvements	4,220,835
HMH Lifestyles LP	Land & Improvements	3,180,340
PR Asset LLC	Land & Improvements	2,841,556
Highland Homes Houston LLC	Land & Improvements	2,058,089
Adams Homes Lone Star LLC	Land & Improvements	1,474,260
Homeowner	Land & Improvements	1,425,240
Hamilton Thomas Homes I LLC	Land & Improvements	<u>1,257,692</u>
Total		\$ 42,541,989
Percent of Tax Roll (a)		11.89 %

(a) Based on MUD 5's total taxable assessed valuation as of January 1, 2023.

Historical Tax Collections

The following represents the historical tax collections for MUD 5.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 5/31/2024
2021	\$ 10,453,146	\$1.50	\$ 156,797	100.00%	2022	100.00
2022	64,252,592	\$1.50	963,789	99.46	2023	100.00
2023	357,805,529	\$1.50	5,367,083	98.04	2024	98.04

(a) Total tax rate per \$100 of assessed valuation for each respective tax year.

The following represents the components of the tax rate for MUD 5 over the 2021-2023 tax years.

	2023	2022	2021
Debt Service	\$0.2850	\$0.2200	\$0.0000
Contract Tax	\$0.5800	\$0.4100	\$0.0000
Maintenance and Operations	<u>\$0.6350</u>	<u>\$0.8700</u>	<u>\$1.5000</u>
	\$1.5000	\$1.5000	\$1.5000

WALLER COUNTY MUNICIPAL UTILITY DISTRICT NO. 37

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	\$	122,760,000
Voter Authorized Unlimited Tax Road Bonds.....	\$	117,145,000
Voter Authorized Unlimited Tax Park Bonds.....	\$	40,545,000
Total Principal Amount of Unlimited Tax Bonds Issued.....	\$	21,630,000 (a)
Debt Service Tax Limitation (per \$100 of Assessed Valuation)		Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation)		\$ 1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation)		\$ 0.250
Contract Tax Limitation.....		Unlimited
Gross Outstanding Direct Debt.....	\$	21,630,000 (a)
2024 Gross Certified Assessed Valuation.....	\$	250,728,087
Estimated Gross Assessed Valuation as of May 1, 2024	\$	308,601,676
Gross Assessed Valuation as a Percentage of the:		
2024 Gross Certified Assessed Valuation of the Participants		25.47 %
Estimated Gross Assessed Valuation as of May 1, 2024 of the Participants.....		26.46 %
Average Annual Debt Service Requirement (2024–2050):	\$	5,513,967
Pro Rata Share Based on the 2024 Gross Certified Assessed Valuation	\$	1,404,590
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2024.....	\$	1,459,200
Maximum Annual Debt Service Requirement (2048):	\$	6,016,813
Pro Rata Share Based on the 2024 Gross Certified Assessed Valuation	\$	1,532,681
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2024.....	\$	1,592,271
Tax Rate Required to Pay Pro Rata Share Based Upon		
2024 Gross Certified Assessed Valuation at 95% Tax Collections		
Average Annual Debt Service Requirement.....	\$	0.59
Maximum Annual Debt Service Requirement.....	\$	0.65
Tax Rate Required to Pay Pro Rata Share Based Upon		
Estimated Gross Assessed Valuation as of May 1, 2024, at 95% Tax Collections		
Average Annual Debt Service Requirement.....	\$	0.50
Maximum Annual Debt Service Requirement.....	\$	0.55
<u>Status of Single-Family Development as of May 1, 2024:</u>		
Approximate Total Developed Acreage.....		363
Single-Family Homes.....		857 (b)
Total Developed Lots		1,199

(a) The outstanding debt of MUD 37 noted above includes the \$11,650,000 Unlimited Tax Bonds, Series 2024, which are expected to close on or about September 12, 2024.

(b) Includes approximately 127 homes under construction as of May 1, 2024.

Principal Taxpayers

The following represents the principal taxpayers on MUD 37's 2024 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Gross Assessed Valuation 2024 Tax Roll
Westin Homes and Properties	Land and Improvements	\$ 4,656,418
Davidson Homes LLC	Land and Improvements	3,479,410
D R Horton-Texas LTD	Land and Improvements	3,067,689
LGI Homes-Texas LLC	Land and Improvements	2,987,440
Castlerock Communities LLC	Land and Improvements	2,705,166
Chesmar Homes LLC	Land and Improvements	2,692,957
HMH Lifestyles LP	Land and Improvements	2,436,000
KB Home Inc	Land and Improvements	2,428,041
H&B Land Holdings	Land and Improvements	2,405,000
VPDHL Sunterra LB LLC	Land and Improvements	<u>2,312,412</u>
		\$ 29,170,533
Percent of Tax Roll		11.63 %

Historical Tax Collections

The following represents the historical tax collections for MUD 37.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 5/31/2024
2021	\$ 8,106,427	\$1.50	\$ 121,596	100.00%	2022	100.00%
2022	18,607,952	\$1.50	279,119	100.00	2023	100.00
2023	94,447,092	\$1.50	1,416,706	99.19	2024	99.19

(a) Total tax rate per \$100 of assessed valuation for each respective tax year.

Tax Rate Distribution

The following represents the components of the tax rate for MUD 37 over the 2021-2023 tax years.

	2023	2022	2021
Debt Service	\$0.0500	\$0.0000	\$0.0000
Contract Tax	\$0.5800	\$0.0000	\$0.0000
Maintenance and Operations	<u>\$0.8700</u>	<u>\$1.5000</u>	<u>\$1.5000</u>
	\$1.5000	\$1.5000	\$1.5000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 569

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	\$	241,500,000
Voter Authorized Unlimited Tax Road Bonds.....	\$	161,100,000
Voter Authorized Unlimited Tax Park Bonds.....	\$	64,600,000
Total Principal Amount of Unlimited Tax Bonds Issued.....	\$	7,895,000 (a)
Debt Service Tax Limitation (per \$100 of Assessed Valuation)		Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation)		\$ 1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation)		\$ 0.250
Contract Tax Limitation.....		Unlimited
Gross Outstanding Direct Debt.....	\$	7,895,000 (a)
2024 Gross Certified Assessed Valuation.....	\$	147,030,545
Estimated Gross Assessed Valuation as of May 1, 2024	\$	229,979,430
Gross Assessed Valuation as a Percentage of the:		
2024 Gross Certified Assessed Valuation of the Participants		14.94 %
Estimated Gross Assessed Valuation as of May 1, 2024 of the Participants.....		19.72 %
Average Annual Debt Service Requirement (2024–2050):	\$	5,513,967
Pro Rata Share Based on the 2024 Gross Certified Assessed Valuation	\$	823,672
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2024.....	\$	1,087,440
Maximum Annual Debt Service Requirement (2048):	\$	6,016,813
Pro Rata Share Based on the 2024 Gross Certified Assessed Valuation	\$	898,786
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2024.....	\$	1,186,609
Tax Rate Required to Pay Pro Rata Share Based Upon		
2024 Gross Certified Assessed Valuation at 95% Tax Collections		
Average Annual Debt Service Requirement.....	\$	0.59
Maximum Annual Debt Service Requirement.....	\$	0.65
Tax Rate Required to Pay Pro Rata Share Based Upon		
Estimated Gross Assessed Valuation as of May 1, 2024, at 95% Tax Collections		
Average Annual Debt Service Requirement.....	\$	0.50
Maximum Annual Debt Service Requirement.....	\$	0.55
Status of Single-Family Development as of May 1, 2024:		
Approximate Total Developed Acreage.....		193
Single-Family Homes.....		532 (b)
Total Developed Lots		1,188

(a) The outstanding debt of MUD 569 noted above includes the \$3,375,000 Unlimited Tax Bonds, Series 2024, which are expected to close on or about September 11, 2024.

(b) Includes approximately 67 homes under construction as of May 1, 2024.

Principal Taxpayers

The following represents the principal taxpayers on MUD 569’s 2023 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Gross Certified Assessed Valuation 2023 Tax Roll
Beazer Homes Texas LP	Land and Improvements	\$ 8,808,957
Astro Sunterra LP	Land and Improvements	8,729,521
Starlight Homes Texas LLC	Land and Improvements	7,160,235
Lennar Homes of Texas	Land and Improvements	8,997,092
Cire Lot Venture LP	Land and Improvements	5,485,370
Anglia Homes LP	Land and Improvements	3,692,585
Sunterra 6A Katy LP	Land and Improvements	3,453,439
Long Lake LTD	Land and Improvements	3,173,257
Brightland Homes LTD	Land and Improvements	2,227,800
Nuway Homes Texas LP	Land and Improvements	<u>1,879,859</u>
		\$ 53,608,115
Percent of Tax Roll		83.61 %

Historical Tax Collections

The following represents the historical tax collections for MUD 569.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 5/31/2024
2022	\$ 4,596,478	\$1.50	\$ 68,947	100.00%	2022	100.00%
2023	64,115,239	\$1.50	961,729	99.43	2024	99.43

(a) Total tax rate per \$100 of assessed valuation for each respective tax year.

Tax Rate Distribution

The following represents the components of the tax rate for MUD 569 for the 2022-2023 tax years.

	<u>2023</u>	<u>2022</u>
Contract Tax	\$0.600	\$0.000
Maintenance & Operation	<u>\$0.900</u>	<u>\$1.500</u>
Total	\$1.500	\$1.500

WALLER COUNTY MUNICIPAL UTILITY DISTRICT NO. 35

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	\$	290,905,000	
Voter Authorized Unlimited Tax Road Bonds.....	\$	131,600,000	
Voter Authorized Unlimited Tax Park Bonds.....	\$	64,650,000	
Total Principal Amount of Unlimited Tax Bonds Issued.....	\$	7,765,000	(a)
Debt Service Tax Limitation (per \$100 of Assessed Valuation)		Unlimited	
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation)		\$ 1.500	
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation)		\$ 0.250	
Contract Tax Limitation.....		Unlimited	
Gross Outstanding Direct Debt.....	\$	7,765,000	(a)
2024 Gross Certified Assessed Valuation.....	\$	104,905,041	
Estimated Gross Assessed Valuation as of May 1, 2024	\$	111,539,156	
Gross Assessed Valuation as a Percentage of the:			
2024 Gross Certified Assessed Valuation of the Participants		10.66	%
Estimated Gross Assessed Valuation as of May 1, 2024 of the Participants.....		9.56	%
Average Annual Debt Service Requirement (2024–2050):	\$	5,513,967	
Pro Rata Share Based on the 2024 Gross Certified Assessed Valuation	\$	587,683	
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2024.....	\$	527,404	
Maximum Annual Debt Service Requirement (2048):	\$	6,016,813	
Pro Rata Share Based on the 2024 Gross Certified Assessed Valuation	\$	641,276	
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2024.....	\$	575,501	
Tax Rate Required to Pay Pro Rata Share Based Upon			
2024 Gross Certified Assessed Valuation at 95% Tax Collections			
Average Annual Debt Service Requirement.....	\$	0.59	
Maximum Annual Debt Service Requirement.....	\$	0.65	
Tax Rate Required to Pay Pro Rata Share Based Upon			
Estimated Gross Assessed Valuation as of May 1, 2024, at 95% Tax Collections			
Average Annual Debt Service Requirement.....	\$	0.50	
Maximum Annual Debt Service Requirement.....	\$	0.55	
Status of Single-Family Development as of May 1, 2024:			
Approximate Total Developed Acreage.....		87	
Single-Family Homes.....		301	(b)
Total Developed Lots		575	

(a) The outstanding debt of MUD 35 noted above includes the \$1,170,000 Unlimited Tax Bonds, Series 2024, and the \$2,385,000 Unlimited Tax Road Bonds, Series 2024, which are expected to close on or about September 11, 2024.

(b) Includes approximately 90 homes under construction as of May 1, 2024.

Principal Taxpayers

The following represents the principal taxpayers on MUD 35's 2024 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Gross Assessed Valuation 2024 Tax Roll
DR Horton Texas LTD (a)	Land & Improvements	\$ 11,615,698
AG EHC II Multi Stadium	Land	8,341,070
Brightland Homes (b)	Land & Improvements	6,989,056
Astro Sunterra LP (b)	Land	6,836,260
Westin Homes and Properties (a)	Land & Improvements	3,470,186
KB Home Lone Star LP (a)(b)	Land	3,310,350
Lennar Homes of Texas (a)	Land	2,159,400
Cire Lot Venture LP	Land	2,149,200
MH Sunterra Holdings LLC	Land	1,103,480
Homeowner	Land & Improvements	<u>374,888</u>
Total		\$ 46,349,588
Percent of Tax Roll		44.18%

Historical Tax Collections

Tax Year	Certified Taxable Value	Tax Rate (a)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 05/31/24
2022	\$12,010,068	\$1.500	\$180,151	99.99%	2023	100.00%
2023	36,777,666	1.500	551,665	99.29%	2024	99.29%

(a) Total tax rate per \$100 of assessed valuation for each respective tax year.

Tax Rate Distribution

The following represents the components of the tax rate for MUD 35 for the 2022-2023 tax years.

	<u>2023</u>	<u>2022</u>
Contract Tax	\$0.890	\$0.000
Maintenance & Operation	<u>\$0.610</u>	<u>\$1.500</u>
Total	\$1.500	\$1.500

APPENDIX B
Financial Statements of the Participants

**HARRIS – WALLER COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 4
HARRIS AND WALLER COUNTIES, TEXAS
FINANCIAL REPORT
April 30, 2024**

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Harris - Waller Counties Municipal Utility District No. 4

Harris and Waller Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris - Waller Counties Municipal Utility District No. 4 (the "District"), as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris - Waller Counties Municipal Utility District No. 4, as of April 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

***Board of Directors
Harris - Waller Counties Municipal Utility District No. 4
Harris and Waller Counties, Texas***

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 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, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors
Harris - Waller Counties Municipal Utility District No. 4
Harris and Waller Counties, Texas***

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 Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



Houston, Texas
July 26, 2024

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Management's Discussion and Analysis

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***Harris - Waller Counties Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2024***

Using this Annual Report

Within this section of the financial report of Harris - Waller Counties Municipal Utility District No. 4 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

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The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at April 30, 2024, was negative \$40,579,294. This amount is negative primarily because the District incurs debt to construct public roads which it conveys to Waller County. A comparative summary of the District's overall financial position, as of April 30, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 6,399,869	\$ 2,296,359
Capital assets	76,067,024	62,025,551
Total assets	<u>82,466,893</u>	<u>64,321,910</u>
Current liabilities	10,524,224	6,694,067
Long-term liabilities	112,521,963	80,208,974
Total liabilities	<u>123,046,187</u>	<u>86,903,041</u>
Net position		
Net investment in capital assets	(10,207,540)	(5,476,364)
Restricted	4,533,862	1,372,293
Unrestricted	<u>(34,905,616)</u>	<u>(18,477,060)</u>
Total net position	<u>\$ (40,579,294)</u>	<u>\$ (22,581,131)</u>

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The total net position of the District decreased during the current fiscal year by \$17,998,163. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Property taxes, penalties and interest	\$ 37,534	\$ 89,549
Water and sewer service	11,593	3,597
Participant billings	4,529,850	1,843,990
Contract taxes from participants	3,584,549	221,002
Other	253,783	48,715
Total revenues	<u>8,417,309</u>	<u>2,206,853</u>
Expenses		
Current service operations	4,541,394	2,103,889
Debt interest and fees	2,351,298	697,377
Developer interest	1,778,011	1,216,075
Debt issuance costs	2,569,827	1,867,403
Intergovernmental	38,807	21,687
Depreciation/amortization	962,239	673,457
Total expenses	<u>12,241,576</u>	<u>6,579,888</u>
Change in net position before other items	(3,824,267)	(4,373,035)
Other items		
Transfers to other governments	(14,173,896)	(12,858,927)
Capital contribution		191,720
Change in net position	(17,998,163)	(17,040,242)
Net position, beginning of year	<u>(22,581,131)</u>	<u>(5,540,889)</u>
Net position, end of year	<u>\$ (40,579,294)</u>	<u>\$ (22,581,131)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2024, were \$5,447,941, which consists of negative \$171,001 in the General Fund, \$4,533,862 in the Debt Service Fund, \$812,695 in the Master District Capital Projects Fund and \$272,385 in the Master District Operating Fund.

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General Fund

A comparative summary of the General Fund's financial position as of April 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 135,666</u>	<u>\$ 67,114</u>
Total liabilities	\$ 306,657	\$ 303,253
Total deferred inflows	10	1,116
Total fund balance	<u>(171,001)</u>	<u>(237,255)</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 135,666</u>	<u>\$ 67,114</u>

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2024	2023
Total revenues	\$ 147,126	\$ 103,941
Total expenditures	<u>(80,872)</u>	<u>(73,649)</u>
Revenues over expenditures	66,254	30,292
Other changes in fund balance		16,600
Net change in fund balance	<u>\$ 66,254</u>	<u>\$ 46,892</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues decreased from prior year because the District decreased the maintenance and operations component of the levy and because assessed values decreased from prior year.
- Tap connection fees fluctuate with homebuilding activity within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of April 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 4,533,862</u>	<u>\$ 1,372,293</u>
Total fund balance	<u>\$ 4,533,862</u>	<u>\$ 1,372,293</u>

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A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 3,710,406	\$ 246,795
Total expenditures	<u>(2,081,618)</u>	<u>(442,302)</u>
Revenues under expenditures	1,628,788	(195,507)
Other changes in fund balance	<u>1,532,781</u>	<u>1,567,800</u>
Net change in fund balance	<u>\$ 3,161,569</u>	<u>\$ 1,372,293</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues, contract tax revenues and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Master District Capital Projects Fund

A comparative summary of the Master District Capital Projects Fund's financial position as of April 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 812,695</u>	<u>\$ 290,297</u>
Total fund balance	<u>\$ 812,695</u>	<u>\$ 290,297</u>

A comparative summary of activities in the Master District Capital Projects Fund for the current and prior fiscal year is as follows:

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 28,052	\$ 10,275
Total expenditures	<u>(31,122,873)</u>	<u>(19,201,419)</u>
Revenues under expenditures	(31,094,821)	(19,191,144)
Other changes in fund balance	<u>31,617,219</u>	<u>19,451,200</u>
Net change in fund balance	<u>\$ 522,398</u>	<u>\$ 260,056</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2023 Contract Revenue Bonds, Series 2023 Contract Revenue Road Bonds and Series 2023 Bond Anticipation Note in the current year and proceeds from the issuance of its Series 2022 Contract Revenue Bonds, Series 2022 Contract Revenue Road Bonds and Series 2022A Bond Anticipation Note in the prior year.

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Master District Operating Fund

The Master District Operating Fund is used to account for the operations of the Master District. A comparative summary of the Master District Operating Fund's financial position as of April 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 917,646</u>	<u>\$ 566,655</u>
Total liabilities	\$ 645,261	\$ 192,416
Total fund balance	<u>272,385</u>	<u>374,239</u>
Total liabilities and fund balance	<u>\$ 917,646</u>	<u>\$ 566,655</u>

A comparative summary of activities for the Master District Operating Fund's current and prior fiscal year is as follows:

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 4,532,830	\$ 1,844,726
Total expenditures	<u>(4,634,684)</u>	<u>(1,678,188)</u>
Revenues over/(under) expenditures	(101,854)	166,538
Other changes in fund balance	<u> </u>	<u>191,120</u>
Net change in fund balance	<u>\$ (101,854)</u>	<u>\$ 357,658</u>

Revenues in the Master District Operating Fund primarily consist of charges to participants. The amount the District (in its Master District capacity) charges is based upon the cost of providing services. See Note 11 for additional information.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the General Fund budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$79,650 greater than budgeted. The *Budgetary Comparison Schedule* on page 42 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

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Capital assets held by the District at April 30, 2024 and 2023, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Land and improvements	\$ 38,416,310	\$ 35,492,359
Construction in progress	213,022	
	<u>38,629,332</u>	<u>35,492,359</u>
Capital assets being depreciation/amortization		
Infrastructure	31,913,375	23,458,193
Landscaping improvements	3,546,640	2,458,083
Water and wastewater capacity	3,747,500	1,424,500
	<u>39,207,515</u>	<u>27,340,776</u>
Less accumulated depreciation/amortization		
Infrastructure	(1,344,607)	(635,420)
Landscaping improvements	(300,236)	(122,904)
Water and wastewater capacity	(124,980)	(49,260)
	<u>(1,769,823)</u>	<u>(807,584)</u>
Depreciable capital assets, net	<u>37,437,692</u>	<u>26,533,192</u>
Capital assets, net	<u>\$ 76,067,024</u>	<u>\$ 62,025,551</u>

Capital asset additions during the current year include the following:

- Various land acquisitions
- Stockdick Road Section 4 and 5 – utilities
- Sunterra Lift Station No. 2
- Sunterra Lift Station No. 3
- Sunterra Pod M and NN – detention and mass grading
- Sunterra Water Plant No. 1 and Wastewater Treatment Plant – fencing

The District's construction in progress is for the construction of fencing to serve Sunterra Wastewater Treatment Plants and Water Plants 1 and 2.

Waller County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of Waller County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended April 30, 2024, capital assets in the amount of \$14,173,896 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

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Long-Term Debt and Related Liabilities

As of April 30, 2024, the District owes approximately \$59,771,963 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$35,685,188 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At April 30, 2024 and 2023, the District in its capacity as a Master District, had total bonded debt outstanding as shown below:

Series	2024	2023
2022	\$ 12,480,000	\$ 12,480,000
2022 Road	10,400,000	10,400,000
2023	14,250,000	
2023 Road	16,085,000	
	\$ 53,215,000	\$ 22,880,000

During the current year, the District, in its capacity as a Master District, issued \$14,250,000 in contract revenue bonds and \$16,085,000 in contract revenue road bonds. As of April 30, 2024, the District, in its capacity as a Master District, had contract revenue bonds of \$583,497,000 authorized, but unissued for the purpose of regional water, sanitary sewer and drainage facilities and \$173,176,000 authorized, but unissued for road improvements.

As of April 30, 2024, the District, in its capacity as a participating district, had \$27,610,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$8,284,000 for the refunding of such bonds; \$23,285,000 authorized, but unissued for parks and recreation facilities and \$6,986,000 for the refunding of such bonds; and \$28,545,000 authorized, but unissued for road improvements and \$8,564,000 for the refunding of such bonds.

During the current year, the District, in its capacity as a Master District issued a \$8,910,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

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Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 147,126	\$ 58,000
Total expenditures	<u>(80,872)</u>	<u>(51,841)</u>
Revenues over expenditures	66,254	6,159
Beginning fund balance	<u>(237,255)</u>	<u>(171,001)</u>
Ending fund balance	<u><u>\$ (171,001)</u></u>	<u><u>\$ (164,842)</u></u>

Property Taxes

The District's property tax base decreased approximately \$99,000 for the 2024 tax year from \$2,447,957 to \$2,348,755, based on preliminary values.

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Basic Financial Statements

Harris - Waller Counties Municipal Utility District No. 4
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2024

	General Fund	Debt Service Fund	Master District Capital Projects Fund	Master District Operating Fund
Assets				
Cash	\$ 103,683	\$ 6,635	\$ 32,292	\$ 168,466
Investments	22,612	2,489,888	848,731	1,984
Taxes receivable	10			
Customer service receivables	841			
Internal balances	7,733	(7,733)	(68,328)	68,328
Due from participants		2,045,072		678,868
Prepaid items	787			
Capital assets not being depreciated				
Capital assets, net				
Total Assets	<u>\$ 135,666</u>	<u>\$ 4,533,862</u>	<u>\$ 812,695</u>	<u>\$ 917,646</u>
Liabilities				
Accounts payable	\$ 284,936	\$ -	\$ -	\$ 623,959
Retainage payable				21,302
Other payables	21			
Customer deposits	21,700			
Accrued interest payable				
Bond anticipation note payable				
Due to developers				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	<u>306,657</u>			<u>645,261</u>
Deferred Inflows of Resources				
Deferred property taxes	<u>10</u>			
Fund Balance/Net Position				
Fund Balance				
Restricted		4,533,862	812,695	
Committed				272,385
Unassigned	(171,001)			
Total Fund Balances	<u>(171,001)</u>	<u>4,533,862</u>	<u>812,695</u>	<u>272,385</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 135,666</u>	<u>\$ 4,533,862</u>	<u>\$ 812,695</u>	<u>\$ 917,646</u>
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

Total	Adjustments	Statement of Net Position
\$ 311,076	\$ -	\$ 311,076
3,363,215		3,363,215
10		10
841		841
2,723,940		2,723,940
787		787
	38,629,332	38,629,332
	37,437,692	37,437,692
<u>\$ 6,399,869</u>	<u>76,067,024</u>	<u>82,466,893</u>
\$ 908,895		908,895
21,302		21,302
21		21
21,700		21,700
	197,306	197,306
	8,910,000	8,910,000
	59,771,963	59,771,963
	465,000	465,000
	52,750,000	52,750,000
<u>951,918</u>	<u>122,094,269</u>	<u>123,046,187</u>
<u>10</u>	<u>(10)</u>	
5,346,557	(5,346,557)	
272,385	(272,385)	
(171,001)	171,001	
<u>5,447,941</u>	<u>(5,447,941)</u>	
<u>\$ 6,399,869</u>		
	(10,207,540)	(10,207,540)
	4,533,862	4,533,862
	(34,905,616)	(34,905,616)
	<u>\$ (40,579,294)</u>	<u>\$ (40,579,294)</u>

Harris - Waller Counties Municipal Utility District No. 4
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2024

	General Fund	Debt Service Fund	Master District Capital Projects Fund	Master District Operating Fund
Revenues				
Water service	\$ 11,593	\$ -	\$ -	\$ -
Property taxes	29,013	8,813		
Penalties and interest	228	585		
Tap connection and inspection	104,825			
Participant billings				4,529,850
Contract taxes from participants		3,584,549		
Miscellaneous	20			119
Investment earnings	1,447	116,459	28,052	2,861
Total Revenues	<u>147,126</u>	<u>3,710,406</u>	<u>28,052</u>	<u>4,532,830</u>
Expenditures/Expenses				
Current service operations				
Purchased services				2,793,581
Professional fees	29,066		58,206	325,917
Contracted services	9,625	11,865		38,355
Repairs and maintenance				999,204
Utilities				1,373
Regional Water Authority fees				199,579
Administrative	3,324	7,136		25,383
Other	50		460	38,270
Capital outlay			26,521,596	213,022
Debt service				
Interest and fees		2,062,617	194,773	
Developer interest			1,778,011	
Debt issuance costs			2,569,827	
Intergovernmental				
Master District connection fees	13,948			
Contractual obligations	24,859			
Depreciation/amortization				
Total Expenditures/Expenses	<u>80,872</u>	<u>2,081,618</u>	<u>31,122,873</u>	<u>4,634,684</u>
Revenues Over/(Under)	66,254	1,628,788	(31,094,821)	(101,854)
Expenditures/Expenses				
Other Financing Sources/(Uses)				
Proceeds from sale of bonds		1,532,781	28,802,219	
Proceeds from bond anticipation note			8,910,000	
Repayment of bond anticipation note			(6,095,000)	
Other Items				
Transfers to other governments				
Net Change in Fund Balances	66,254	3,161,569	522,398	(101,854)
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year	(237,255)	1,372,293	290,297	374,239
End of the year	<u>\$ (171,001)</u>	<u>\$ 4,533,862</u>	<u>\$ 812,695</u>	<u>\$ 272,385</u>

See notes to basic financial statements.

Total	Adjustments	Statement of Activities
\$ 11,593	\$ -	\$ 11,593
37,826	(1,105)	36,721
813		813
104,825		104,825
4,529,850		4,529,850
3,584,549		3,584,549
139		139
<u>148,819</u>		<u>148,819</u>
<u>8,418,414</u>	<u>(1,105)</u>	<u>8,417,309</u>
2,793,581		2,793,581
413,189		413,189
59,845		59,845
999,204		999,204
1,373		1,373
199,579		199,579
35,843		35,843
38,780		38,780
26,734,618	(26,734,618)	
2,257,390	93,908	2,351,298
1,778,011		1,778,011
2,569,827		2,569,827
13,948		13,948
24,859		24,859
	962,239	962,239
<u>37,920,047</u>	<u>(25,678,471)</u>	<u>12,241,576</u>
(29,501,633)	25,677,366	(3,824,267)
30,335,000	(30,335,000)	
8,910,000	(8,910,000)	
(6,095,000)	6,095,000	
	<u>(14,173,896)</u>	<u>(14,173,896)</u>
3,648,367	(3,648,367)	
	(17,998,163)	(17,998,163)
1,799,574	(24,380,705)	(22,581,131)
<u>\$ 5,447,941</u>	<u>\$ (46,027,235)</u>	<u>\$ (40,579,294)</u>

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Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris - Waller Counties Municipal Utility District No. 4 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created, and established pursuant to House Bill No. 4520, 86th Session of the Texas Legislature, Regular Session, codified as Chapter 8047, Texas Special District Local Law Code (the “Act”), effective May 3, 2019, and operates in accordance with Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution, and the Texas Water Code, Chapter 49 and 54. On July 30, 2020, voters of the District approved a proposition dividing the District into three districts: the District, Harris – Waller Counties Municipal Utility District No. 5 (“MUD 5”) and Waller County Municipal Utility District No. 37 (“MUD 37”). The Board of Directors held its first meeting on July 30, 2020, and the first Master District contract revenue bonds were issued on December 20, 2022.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has four governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and tap connection fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the Master District’s contract revenue bonds. The primary source of revenue for debt service are contract tax payments from participating districts in the Master District service area and capitalized interest from the sale of bonds. Expenditures include costs incurred in assessing and collecting these taxes.
- The Master District Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the Master District’s regional facilities.
- The Master District Operating Fund is used to account for the operation and maintenance of the regional facilities. The principal source of revenue is from Master District service fees received from participating districts. Expenditures include costs associated with the daily operations of the regional facilities. See Note 11.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At April 30, 2024, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	20-45 years
Landscaping improvements	20 years
Water and wastewater capacity	Remaining life of contract

The District’s detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Master District Capital Projects Fund and capitalized interest from the sale of bonds and contract taxes from participants in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District's committed fund balances in the Master District Operating Fund consist of amounts restricted for the operation of the regional facilities as discussed in Note 11.

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 not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - resources not included in the other components.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to Waller County and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Fund Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$	5,447,941
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 77,836,847	
Less accumulated depreciation/amortization	<u>(1,769,823)</u>	
Change due to capital assets		76,067,024

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net	(53,215,000)	
Bond anticipation note payable	(8,910,000)	
Interest payable on bonds	<u>(197,306)</u>	
Change due to long-term debt		(62,322,306)

Amounts due to the District's developers for prefunded construction and water and wastewater capacity are recorded as a liability in the <i>Statement of Net Position</i> .		(59,771,963)
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Property taxes receivable has been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		10
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Total net position - governmental activities	\$	<u><u>(40,579,294)</u></u>
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Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance* to the *Statement of Activities*

Net change in fund balances - total governmental funds	\$	3,648,367	
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes.			(1,105)
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the <i>Statement of Activities</i> , the cost of capital assets is charged to expense over the estimated useful life of the asset.			
Capital outlays	\$	26,734,618	
Depreciation/amortization expense		(962,239)	
		<hr/>	25,772,379
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government-wide statements.			
Issuance of long-term debt		(30,335,000)	
Proceeds from bond anticipation note		(8,910,000)	
Repayment of bond anticipation note		6,095,000	
Interest payable on bonds		(93,908)	
		<hr/>	(33,243,908)
The District conveys public roads to the Waller County upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.			(14,173,896)
Change in net position of governmental activities			<hr/> <hr/>
	\$		(17,998,163)

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of April 30, 2024, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	\$ 22,612	AAAm	38 days
	Debt Service	2,489,888		
	Master District Capital Projects	848,731		
	Master District Operating	1,984		
Total		<u>\$ 3,363,215</u>		

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 3 – Deposits and Investments (continued)

TexSTAR

The Texas Short Term Asset Reserve fund (“TexSTAR”) is managed by Hilltop Securities, and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2024, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General	Debt Service	\$ 16,238	Maintenance tax collections not remitted as of year end.
Debt Service	General	8,505	Amount owed for contract tax contractual obligations
Master District Operating	Master District Capital Projects	68,328	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 35,492,359	\$ 2,923,951	\$ 38,416,310
Construction in progress		213,022	213,022
	<u>35,492,359</u>	<u>3,136,973</u>	<u>38,629,332</u>
Capital assets being depreciation/amortization			
Infrastructure	23,458,193	8,455,182	31,913,375
Landscaping improvements	2,458,083	1,088,557	3,546,640
Water and wastewater capacity	1,424,500	2,323,000	3,747,500
	<u>27,340,776</u>	<u>11,866,739</u>	<u>39,207,515</u>
Less accumulated depreciation/amortization			
Infrastructure	(635,420)	(709,187)	(1,344,607)
Landscaping improvements	(122,904)	(177,332)	(300,236)
Water and wastewater capacity	(49,260)	(75,720)	(124,980)
	<u>(807,584)</u>	<u>(962,239)</u>	<u>(1,769,823)</u>
Subtotal depreciable capital assets, net	<u>26,533,192</u>	<u>10,904,500</u>	<u>37,437,692</u>
Capital assets, net	<u>\$ 62,025,551</u>	<u>\$ 14,041,473</u>	<u>\$ 76,067,024</u>

Depreciation/amortization expense for the current fiscal year was \$962,239.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (“BAN”) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$6,095,000. This BAN was repaid on August 22, 2023 with proceeds from the issuance of the District’s Series 2023 Contract Revenue Bonds.

On December 21, 2023, the District in its capacity as a Master District, issued a \$8,910,000 BAN with an interest rate of 6.17%, which is due on December 20, 2024.

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 6 – Bond Anticipation Note (continued)

The effect of these transactions on the District’s short-term obligations are as follows:

Beginning balance	\$ 6,095,000
Amounts borrowed	8,910,000
Amounts repaid	<u>(6,095,000)</u>
Ending balance	<u><u>\$ 8,910,000</u></u>

Note 7 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developers is reimbursed.

Changes in the estimated amounts due to developers during the year are as follows:

Due to developers, beginning of year	\$ 57,328,974
Developer reimbursements	(24,198,596)
Developer funded construction and adjustments	<u>26,641,585</u>
Due to developers, end of year	<u><u>\$ 59,771,963</u></u>

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 7 – Due to Developers (continued)

In addition, the District will owe the developers approximately \$35,685,188, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percentage Completed
Stockdick Road Segment 1 - paving	\$ 1,840,547	99%
Schlipf Road - paving	935,612	99%
Beckendorff Road Section 3 - utilities	1,125,166	98%
Beckendorff Road Section 3 - paving	2,715,409	98%
Sunterra Lift Station No 4	1,099,050	85%
Sunterra Lift Station No 1	1,258,061	97%
Clay Road - paving	1,092,783	98%
4x2 Box Culver Clay Road, Segment 2	390,778	96%
Sunterra Phase 5 - detention and mass grading	5,537,197	88%
Sunterra Phase 4 - detention and mass grading	6,106,335	53%
Sunterra Collector D - paving	3,485,101	99%
Sunterra Recreation Center & Street Dedication - paving	2,026,558	29%
Sunterra Recreation Center & Street Dedication - utilities	1,479,000	88%
Barlett Road Section 4 and 5 - utilities and paving	2,457,108	0%
Sunterra Lift Station No 5	1,222,231	0%
Water Plant No 3 - fence	198,364	27%
Beckendorff Road, Segment 4	917,117	0%
Sunterra Lift Station No 6	1,157,771	0%
Tantara Bend Drive Street Dedication - utilities	641,000	0%
	<u>\$ 35,685,188</u>	

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 53,215,000</u>
Due within one year	<u>\$ 465,000</u>

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 8 – Long-Term Debt (continued)

The District’s bonds payable at April 30, 2024, consists of contract revenues bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2022	\$ 12,480,000	\$ 12,480,000	5.00% - 5.50%	November 1, 2024/2048	November 1, May 1	November 1, 2029
2022 Road	10,400,000	10,400,000	5.00% - 5.50%	November 1, 2024/2048	November 1, May 1	November 1, 2029
2023	14,250,000	14,250,000	4.00% - 6.50%	November 1, 2025/2049	November 1, May 1	November 1, 2030
2023 Road	16,085,000	16,085,000	4.75% - 7.25%	November 1, 2025/2049	November 1, May 1	November 1, 2030
	<u>\$ 53,215,000</u>					

Payments of principal and interest on all series of contract revenue bonds are to be provided from the participating districts, including the District in its capacity as a participating district, based on their pro rata share of the total certified assessed valuation of all participating districts. The participating districts are contractually required to levy a contract tax in an amount sufficient to meet their required contributions. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the term of its bond resolution.

At April 30, 2024, the District, in its capacity as a Master District, had contract revenue bonds of \$583,497,000 authorized, but unissued for the purpose of regional water, sanitary sewer and drainage facilities and \$173,176,000 for road improvements.

As of April 30, 2024, the District in its capacity as a participating district, had \$27,610,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District and \$8,284,000 for the refunding of such bonds; \$23,285,000 for parks and recreational facilities and \$6,986,000 for the refunding of such bonds; and \$28,545,000 for road improvements and \$8,564,000 for the refunding of such bonds.

On August 22, 2023, the District, in its capacity as a Master District, issued its \$14,250,000 Series 2023 Contract Revenue Bonds at a net effective interest rate of 4.514081%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a \$6,095,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 8 – Long-Term Debt (continued)

On November 21, 2023, the District, in its capacity as a Master District, issued its \$16,085,000 Series 2023 Contract Revenue Road Bonds at a net effective interest rate of 5.303848%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$	22,880,000
Bonds issued		<u>30,335,000</u>
Bonds payable, end of year	\$	<u>53,215,000</u>

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 8 – Long-Term Debt (continued)

The debt service payment due May 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of April 30, 2024, annual debt service requirements on bonds outstanding are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2025	\$ 465,000	\$ 2,735,481	\$ 3,200,481
2026	1,110,000	2,687,862	3,797,862
2027	1,170,000	2,616,344	3,786,344
2028	1,230,000	2,541,069	3,771,069
2029	1,295,000	2,461,856	3,756,856
2030	1,355,000	2,378,707	3,733,707
2031	1,430,000	2,292,894	3,722,894
2032	1,505,000	2,204,012	3,709,012
2033	1,585,000	2,110,394	3,695,394
2034	1,670,000	2,017,244	3,687,244
2035	1,750,000	1,930,720	3,680,720
2036	1,840,000	1,845,770	3,685,770
2037	1,935,000	1,757,126	3,692,126
2038	2,040,000	1,664,482	3,704,482
2039	2,140,000	1,567,045	3,707,045
2040	2,255,000	1,462,482	3,717,482
2041	2,375,000	1,350,213	3,725,213
2042	2,490,000	1,232,244	3,722,244
2043	2,625,000	1,106,732	3,731,732
2044	2,760,000	973,082	3,733,082
2045	2,905,000	831,978	3,736,978
2046	3,055,000	683,037	3,738,037
2047	3,220,000	526,198	3,746,198
2048	3,380,000	360,655	3,740,655
2049	3,555,000	186,148	3,741,148
2050	2,075,000	48,348	2,123,348
	<u>\$ 53,215,000</u>	<u>\$ 41,572,123</u>	<u>\$ 94,787,123</u>

Note 9 – Property Taxes

On November 3, 2020, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and a road maintenance limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 9 – Property Taxes (continued)

All property values and exempt status, if any, are determined by the Harris Central and Waller County Appraisal Districts. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, of which \$1.14 was allocated to maintenance and operations and \$0.36 was allocated to contract tax debt service. The resulting tax levy was \$36,719 on the adjusted taxable value of \$2,447,957.

Note 10 – Transfers to Other Governments

Waller County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Waller County, not the District. The estimated cost of each road project is recorded as a transfers to other government upon completion of construction. This cost is trued-up when the developers are subsequently reimbursed. For the year ended April 30, 2024, the District recorded transfers to other governments in the amount of \$14,173,896 for road facilities constructed by a developer within the District.

Note 11 – Master District

The District, in its capacity as a Master District, has entered into contracts (the “Contracts”) with the District in its capacity as a participating district, MUD 5, MUD 37, Harris County Municipal Utility District No. 569 (“MUD 569”) and Waller County Municipal Utility District No. 35 (“MUD 35”) whereby the Master District agrees to provide or cause to be provided the regional water supply and distribution facilities, wastewater collection, treatment and disposal facilities, detention/drainage facilities, and road facilities to serve all districts located within the Master District’s service area. Pursuant to the Contracts with each of the participating districts, and pursuant to the Contract between the District (in its capacity as a participating district) and the District (in its capacity as a Master District), the District, in addition to its role as a Master District, has the same rights and duties as the other participating districts. The term of the Contacts is 40 years.

The Master District has entered into a Wholesale Agreement for Water and Wastewater Service with Quadvest, under which Quadvest will provide wholesale water and wastewater supply to land within the Master District’s service area. See Note 12 for additional information.

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 11 – Master District (continued)

Operating Reserve

The Contracts authorize the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the participating districts to provide the initial funding required to establish the reserve. As of April 30, 2024, the District has established an operating and maintenance reserve of \$312,219. The Master District shall adjust the reserve as needed, not less than annually.

Monthly Connection Fees for Operating Expenses

Upon commencement of services, the Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections ("ESFCs") reserved to the District. As of April 30, 2024, the Master District billed \$4,529,850 to the participating districts for the operation and maintenance of the regional facilities.

Master District Debt

As of April 30, 2024, the District, in its Master District capacity, is authorized to issue \$583,497,000 in contract revenue bonds for the purpose of acquiring and constructing water, sewer, and drainage facilities needed to provide services to all participating districts in the service area and \$173,176,000 for road facilities. The participating districts, including the District in its capacity as a participating district, shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. During the current fiscal year, the Master District issued its \$14,250,000 Series 2023 Contract Revenue Bonds and \$16,085,000 Series 2023 Contract Revenue Road Bonds. As of April 30, 2024, the District, in its Master District capacity has \$53,215,000 in contract revenue bonds outstanding. For the year ended April 30, 2024, participating districts were billed contract taxes in the amount of \$3,584,549, of which \$2,053,577 is due as of fiscal year end.

Summary of Charges

For the fiscal year ended April 30, 2024, the District, in its capacity as a participating district, incurred the following costs pursuant to the Contract with the Master District:

- Monthly connection fees for operating expenses in the amount of \$13,948.
- Contractual obligations for Master District debt service requirements in the amount of \$24,859.

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2024

Note 12 – Wholesale Agreement

On September 15, 2020, Katy 1039, Ltd. (“Katy 1039”) and Quadvest, L.P. (“Quadvest”) entered into a Wholesale Agreement for Water and Wastewater Service (the “Agreement”) for the purchase of wholesale water and wastewater service necessary to serve 6,968 ESFCs within the Master District’s service area. On May 10, 2021, Katy 1039, the District and Quadvest entered into an Assignment and First Amendment to the Agreement and on August 18, 2022, the District and Quadvest entered into a Second Amendment to the Agreement, as amended and assigned (the “Amended Agreement”). The District has assumed all rights and obligations of Katy 1039 pursuant to this Amended Agreement.

Quadvest is responsible for the meter installation and the design and construction of the interconnect facilities necessary to connect the District to Quadvest’s water system. The wholesale water service charge is \$3.70 per 1,000 gallons of meter water flow. Quadvest is also responsible for the design and construction of the interconnect facilities necessary to connect the District to Quadvest’s wastewater system. The wholesale sewer service charge is \$55 per ESFC.

The purchased price of the reserved water and wastewater capacity shall be based on \$575 per ESFC, representing one water ESFC and one wastewater ESFC per residential lot. As of April 30, 2024, the District has paid a total of \$3,747,500 for reserved water and wastewater capacity in Quadvest’s systems. The Term of this Agreement is 50 years.

Note 13 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the two prior years.

Note 14 – Concentration of Risk

Approximately 99% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue for the General Fund, the continued ability of these taxpayers to continue to pay their property taxes is an important factor in the District’s ability to meet its future obligations.

Required Supplementary Information

***Harris - Waller Counties Municipal Utility District No. 4
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2024***

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 15,000	\$ 15,000	\$ 11,593	\$ (3,407)
Property taxes	88,500	27,500	29,013	1,513
Penalties and interest	500	500	228	(272)
Tap connection and inspection			104,825	104,825
Miscellaneous			20	20
Investment earnings			1,447	1,447
Total Revenues	104,000	43,000	147,126	104,126
Expenditures				
Current service operations				
Professional fees	44,000	24,000	29,066	(5,066)
Contracted services	28,000	9,600	9,625	(25)
Utilities	400	400		400
Administrative	7,000	7,000	3,324	3,676
Other	1,800	1,800	50	1,750
Intergovernmental				
Master District connection fees	13,596	13,596	13,948	(352)
Contractual obligations			24,859	(24,859)
Total Expenditures	94,796	56,396	80,872	(24,476)
Revenues Over/(Under) Expenditures	9,204	(13,396)	66,254	79,650
Fund Balance				
Beginning of the year	(237,255)	(237,255)	(237,255)	
End of the year	\$ (228,051)	\$ (250,651)	\$ (171,001)	\$ 79,650

***Harris - Waller Counties Municipal Utility District No. 4
Required Supplementary Information - Budgetary Comparison Schedule - Master
District Operating Fund
For the Year Ended April 30, 2024***

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billings	\$ 3,277,472	\$ 4,529,850	\$ 1,252,378
Miscellaneous		119	119
Investment earnings	1,000	2,861	1,861
Total Revenues	<u>3,278,472</u>	<u>4,532,830</u>	<u>1,254,358</u>
Expenditures			
Current service operations			
Purchased services	2,169,360	2,793,581	(624,221)
Professional fees	163,000	325,917	(162,917)
Contracted services	31,500	38,355	(6,855)
Repairs and maintenance	488,726	999,204	(510,478)
Utilities	1,000	1,373	(373)
Regional Water Authority fees	275,886	199,579	76,307
Administrative	17,000	25,383	(8,383)
Other	10,000	38,270	(28,270)
Capital outlay		213,022	(213,022)
Total Expenditures	<u>3,156,472</u>	<u>4,634,684</u>	<u>(1,478,212)</u>
Revenues Over/(Under) Expenditures	122,000	(101,854)	(223,854)
Fund Balance			
Beginning of the year	374,239	374,239	
End of the year	<u>\$ 496,239</u>	<u>\$ 272,385</u>	<u>\$ (223,854)</u>

Harris - Waller Counties Municipal Utility District No. 4
Notes to Required Supplementary Information
April 30, 2024

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund and Master District Operating Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The General Fund budget was amended during the year to reflect changes in anticipated revenues and expenditures. There were no amendments to the Master District Operating Fund budget during the year.

Texas Supplementary Information

Harris - Waller Counties Municipal Utility District No. 4
TSI-1. Services and Rates
April 30, 2024

1. Services provided by the District During the Fiscal Year:

- | | | | |
|--|---|---|--|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste/ Garbage | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks / Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input type="checkbox"/> Other (Specify): _____ | | | |

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	\$ 57.00	10,000	N	\$ 4.30	10,001 to no limit
Wastewater:	\$ 47.50		Y		

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 57.00 Wastewater \$ 47.50

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered			x 1.0	
less than 3/4"	1	1	x 1.0	1
1"	2	2	x 2.5	5
1.5"			x 5.0	
2"	2	2	x 8.0	16
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	5	5		22
Total Wastewater	2	2	x 1.0	2

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-1. Services and Rates
April 30, 2024

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>347,346,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>287,299,000</u>	(Gallons billed / Gallons pumped)
		<u>N/A</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes No

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Harris and Waller Counties

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

See accompanying auditor's report.

*Harris - Waller Counties Municipal Utility District No. 4
 TSI-2 General Fund Expenditures
 For the Year Ended April 30, 2024*

Professional fees	
Legal	<u>\$ 29,066</u>
Contracted services	
Bookkeeping	<u>9,625</u>
Administrative	
Printing and office supplies	955
Insurance	<u>2,369</u>
	<u>3,324</u>
Other	<u>50</u>
Intergovernmental	
Master District connection fees	13,948
Contractual obligations	<u>24,859</u>
	<u>38,807</u>
Total expenditures	<u><u>\$ 80,872</u></u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-3. Investments
April 30, 2024

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	\$ 22,612
Debt Service			
TexSTAR	Variable	N/A	1,200,513
TexSTAR	Variable	N/A	1,289,375
			2,489,888
Master District Capital Projects			
TexSTAR	Variable	N/A	36
TexSTAR	Variable	N/A	848,695
			848,731
Master District Operating			
TexSTAR	Variable	N/A	1,984
Total - All Funds			\$ 3,363,215

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-4. Taxes Levied and Receivable
April 30, 2024

	Maintenance Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 1,116	\$ -	\$ 1,116
2023 Original Tax Levy	27,906	8,813	36,719
Total to be accounted for	29,022	8,813	37,835
Tax collections:			
Current year	27,906	8,813	36,719
Prior years	1,106		1,106
Total Collections	29,012	8,813	37,825
Taxes Receivable, End of Year	\$ 10	\$ -	\$ 10
Taxes Receivable, By Year			
2022	\$ 10	\$ -	\$ 10
	2023	2022	
Property Valuations:			
Land	\$ 3,427,486	\$ 5,826,770	
Personal Property	130,684	195,814	
Exemptions	(1,110,213)	(322,188)	
Total Property Valuations	\$ 2,447,957	\$ 5,700,396	
Tax Rates per \$100 Valuation:			
Maintenance tax rates	\$ 1.14	\$ 1.50	
Contract tax rates	0.36		
Total Tax Rates per \$100 Valuation	\$ 1.50	\$ 1.50	
Adjusted Tax Levy:	\$ 36,719	\$ 85,506	
Percentage of Taxes Collected to Taxes Levied ***	100.00%	99.99%	

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 3, 2020

** Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 3, 2020

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

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2022 Contract Revenue Bonds--by Years
April 30, 2024

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 255,000	\$ 655,987	\$ 910,987
2026	265,000	641,687	906,687
2027	280,000	626,700	906,700
2028	295,000	610,887	905,887
2029	310,000	594,250	904,250
2030	325,000	576,788	901,788
2031	345,000	559,225	904,225
2032	360,000	541,600	901,600
2033	380,000	523,100	903,100
2034	400,000	503,600	903,600
2035	420,000	483,100	903,100
2036	445,000	461,475	906,475
2037	465,000	438,725	903,725
2038	490,000	414,850	904,850
2039	515,000	389,725	904,725
2040	545,000	362,544	907,544
2041	575,000	333,144	908,144
2042	600,000	302,300	902,300
2043	635,000	269,088	904,088
2044	670,000	233,200	903,200
2045	705,000	195,388	900,388
2046	740,000	155,650	895,650
2047	780,000	113,850	893,850
2048	820,000	69,850	889,850
2049	860,000	23,650	883,650
	<u>\$ 12,480,000</u>	<u>\$ 10,080,363</u>	<u>\$ 22,560,363</u>

See accompanying auditor's report.

*Harris - Waller Counties Municipal Utility District No. 4
 TSI-5. Long-Term Debt Service Requirements
 Series 2022 Contract Revenue Road Bonds--by Years
 April 30, 2024*

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 210,000	\$ 546,712	\$ 756,712
2026	220,000	534,887	754,887
2027	235,000	522,375	757,375
2028	245,000	509,175	754,175
2029	260,000	495,287	755,287
2030	270,000	480,712	750,712
2031	285,000	466,162	751,162
2032	300,000	451,537	751,537
2033	315,000	436,162	751,162
2034	335,000	419,912	754,912
2035	350,000	402,788	752,788
2036	370,000	384,788	754,788
2037	390,000	365,788	755,788
2038	410,000	345,788	755,788
2039	430,000	324,788	754,788
2040	455,000	302,094	757,094
2041	480,000	277,550	757,550
2042	500,000	251,825	751,825
2043	530,000	224,125	754,125
2044	555,000	194,288	749,288
2045	585,000	162,938	747,938
2046	615,000	129,938	744,938
2047	650,000	95,150	745,150
2048	685,000	58,438	743,438
2049	720,000	19,800	739,800
	<u>\$ 10,400,000</u>	<u>\$ 8,403,007</u>	<u>\$ 18,803,007</u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2023 Contract Revenue Bonds--by Years
April 30, 2024

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ -	\$ 664,169	\$ 664,169
2026	310,000	654,094	964,094
2027	325,000	633,456	958,456
2028	340,000	611,844	951,844
2029	355,000	589,256	944,256
2030	370,000	565,694	935,694
2031	390,000	540,994	930,994
2032	410,000	514,994	924,994
2033	430,000	487,694	917,694
2034	450,000	459,094	909,094
2035	470,000	435,069	905,069
2036	490,000	415,869	905,869
2037	515,000	395,769	910,769
2038	540,000	374,669	914,669
2039	565,000	352,569	917,569
2040	590,000	329,469	919,469
2041	620,000	305,269	925,269
2042	650,000	279,869	929,869
2043	680,000	253,269	933,269
2044	710,000	225,469	935,469
2045	745,000	195,903	940,903
2046	780,000	164,450	944,450
2047	820,000	131,449	951,449
2048	855,000	96,368	951,368
2049	900,000	59,074	959,074
2050	940,000	19,974	959,974
	<u>\$ 14,250,000</u>	<u>\$ 9,755,797</u>	<u>\$ 24,005,797</u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2023 Contract Revenue Road Bonds--by Years
April 30, 2024

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ -	\$ 868,613	\$ 868,613
2026	315,000	857,194	1,172,194
2027	330,000	833,813	1,163,813
2028	350,000	809,163	1,159,163
2029	370,000	783,063	1,153,063
2030	390,000	755,513	1,145,513
2031	410,000	726,513	1,136,513
2032	435,000	695,881	1,130,881
2033	460,000	663,438	1,123,438
2034	485,000	634,638	1,119,638
2035	510,000	609,763	1,119,763
2036	535,000	583,638	1,118,638
2037	565,000	556,844	1,121,844
2038	600,000	529,175	1,129,175
2039	630,000	499,963	1,129,963
2040	665,000	468,375	1,133,375
2041	700,000	434,250	1,134,250
2042	740,000	398,250	1,138,250
2043	780,000	360,250	1,140,250
2044	825,000	320,125	1,145,125
2045	870,000	277,749	1,147,749
2046	920,000	232,999	1,152,999
2047	970,000	185,749	1,155,749
2048	1,020,000	135,999	1,155,999
2049	1,075,000	83,624	1,158,624
2050	1,135,000	28,374	1,163,374
	<u>\$ 16,085,000</u>	<u>\$ 13,332,956</u>	<u>\$ 29,417,956</u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
April 30, 2024

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 465,000	\$ 2,735,481	\$ 3,200,481
2026	1,110,000	2,687,862	3,797,862
2027	1,170,000	2,616,344	3,786,344
2028	1,230,000	2,541,069	3,771,069
2029	1,295,000	2,461,856	3,756,856
2030	1,355,000	2,378,707	3,733,707
2031	1,430,000	2,292,894	3,722,894
2032	1,505,000	2,204,012	3,709,012
2033	1,585,000	2,110,394	3,695,394
2034	1,670,000	2,017,244	3,687,244
2035	1,750,000	1,930,720	3,680,720
2036	1,840,000	1,845,770	3,685,770
2037	1,935,000	1,757,126	3,692,126
2038	2,040,000	1,664,482	3,704,482
2039	2,140,000	1,567,045	3,707,045
2040	2,255,000	1,462,482	3,717,482
2041	2,375,000	1,350,213	3,725,213
2042	2,490,000	1,232,244	3,722,244
2043	2,625,000	1,106,732	3,731,732
2044	2,760,000	973,082	3,733,082
2045	2,905,000	831,978	3,736,978
2046	3,055,000	683,037	3,738,037
2047	3,220,000	526,198	3,746,198
2048	3,380,000	360,655	3,740,655
2049	3,555,000	186,148	3,741,148
2050	2,075,000	48,348	2,123,348
	<u>\$ 53,215,000</u>	<u>\$ 41,572,123</u>	<u>\$ 94,787,123</u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-6. Change in Long-Term Bonded Debt
April 30, 2024

	Bond Issue		
	Series 2022	Series 2022 Road	Series 2023
Interest rate	5.00% - 5.50%	5.00% - 5.50%	4.00% - 6.50%
Dates interest payable	11/1; 5/1	11/1; 5/1	11/1; 5/1
Maturity dates	11/1/24 - 11/1/48	11/1/24 - 11/1/48	11/1/25 - 11/1/49
Beginning bonds outstanding	\$ 12,480,000	\$ 10,400,000	\$ -
Bonds issued			14,250,000
Ending bonds outstanding	<u>\$ 12,480,000</u>	<u>\$ 10,400,000</u>	<u>\$ 14,250,000</u>
Interest paid during fiscal year	<u>\$ 663,000</u>	<u>\$ 552,487</u>	<u>\$ 459,383</u>

Paying agent's name and city	BOKF, NA, Dallas, Texas		
Series 2023 and Series 2023 Road	Regions Bank, Houston, Texas		
All Other Series	Regions Bank, Houston, Texas		

Master District Contract Revenue Bond Authority:	Water, Sewer and Drainage Bonds		Road Bonds
	Amount Authorized by Voters	\$ 610,227,000	\$ 199,661,000
Amount Issued	(26,730,000)	(26,485,000)	
Remaining To Be Issued	<u>\$ 583,497,000</u>	<u>\$ 173,176,000</u>	

All contract revenue bonds are secured with contract tax revenues from participating districts.

Internal District Unlimited Tax Bond Authority:	Water, Sewer and Drainage Refunding Bonds		Road Bonds
	Amount Authorized by Voters	\$ 27,610,000	\$ 8,284,000
Amount Issued			
Remaining To Be Issued	<u>\$ 27,610,000</u>	<u>\$ 8,284,000</u>	<u>\$ 28,545,000</u>

Internal District Unlimited Tax Bond Authority:	Road Refunding Bonds		Park and Recreation Facilities Refunding Bonds
	Amount Authorized by Voters	\$ 8,564,000	\$ 23,285,000
Amount Issued			
Remaining To Be Issued	<u>\$ 8,564,000</u>	<u>\$ 23,285,000</u>	<u>\$ 6,986,000</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of April 30, 2024:	<u>\$ 2,496,523</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 3,645,659</u>

See accompanying auditor's report.

<u>Bond Issue</u>		
<u>Series 2023 Road</u>		<u>Totals</u>
4.75% - 7.25%		
11/1; 5/1		
11/1/25 - 11/1/49		
\$ -		\$ 22,880,000
16,085,000		30,335,000
<u>\$ 16,085,000</u>		<u>\$ 53,215,000</u>
<u>\$ 386,050</u>		<u>\$ 2,060,920</u>

***Harris - Waller Counties Municipal Utility District No. 4
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Four Fiscal Years***

	Amounts			
	2024	2023	2022	2021
Revenues				
Water service	\$ 11,593	\$ 3,597	\$ -	\$ -
Property taxes	29,013	85,501		
Penalties and interest	228	2,932		
Tap connection and inspection	104,825	11,330		
Miscellaneous	20			
Investment earnings	1,447	581		8
Total Revenues	147,126	103,941		8
Expenditures				
Current service operations				
Purchased services			684	
Professional fees	29,066	23,668	156,841	183,508
Contracted services	9,625	15,975	6,680	6,400
Administrative	3,324	11,777	13,091	12,574
Other	50	542	3,029	1,348
Intergovernmental				
Master District connection fees	13,948	9,785		
Contractual obligations	24,859	11,902		
Total Expenditures	80,872	73,649	180,325	203,830
Revenues Over/(Under) Expenditures	\$ 66,254	\$ 30,292	\$ (180,325)	\$ (203,822)
Total Active Retail Water Connections	5	N/A	N/A	N/A
Total Active Retail Wastewater Connections	2	N/A	N/A	N/A

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021
8%	3%	-%	-%
20%	82%		
*	3%		
71%	11%		
*			
1%	1%		-
100%	100%	-	-
		-	
20%	23%	-	-
7%	15%	-	-
2%	11%	-	-
*	1%	-	-
9%	9%		
17%	11%		
55%	70%	-	-
45%	30%	-%	-%

Harris - Waller Counties Municipal Utility District No. 4
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Two Fiscal Years

	Amounts		Percent of Fund Total Revenues	
	2024	2023	2024	2023
Revenues				
Property taxes	\$ 8,813	\$ -	*	
Contract tax from participants	3,584,549	221,002	97%	90%
Penalties and interest	585		*	
Investment earnings	116,459	25,793	3%	10%
Total Revenues	<u>3,710,406</u>	<u>246,795</u>	<u>100%</u>	<u>100%</u>
Expenditures				
Tax collection services	19,001		1%	
Debt service				
Interest and fees	<u>2,062,617</u>	<u>442,302</u>	<u>56%</u>	<u>179%</u>
Total Expenditures	<u>2,081,618</u>	<u>442,302</u>	<u>57%</u>	<u>179%</u>
Revenues Over/(Under) Expenditures	<u>\$ 1,628,788</u>	<u>\$ (195,507)</u>	<u>43%</u>	<u>(79%)</u>

*Percentage is negligible

See accompanying auditor's report.

***Harris - Waller Counties Municipal Utility District No. 4
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2024***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
 District Business Telephone Number: (713) 860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): August 18, 2022
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Rhonda Gideon	05/24 - 05/28	\$ 2,068	\$ 213	President
Erica Tabrizi	05/24 - 05/28	1,697	103	Vice President
Ruth Delaunay	05/24 - 05/28	7,080	2,491	Secretary
Sabrina Alaquinez	05/22 - 05/26	1,626	72	Assistant Vice President
Way Denkler	05/22 - 05/26	2,660	2,004	Assistant Secretary
Consultants				
Allen Boone Humphries Robinson LLP	2020	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 180,667		
<i>Bond counsel</i>		700,341		
Municipal District Services	2020	173,794		Operator
Myrtle Cruz, Inc.	2020	49,784		Bookkeeper
Bob Leared Interests	2020	8,191		Tax Collector
Waller County Appraisal District	Legislation	828		Property Valuation
Harris Central Appraisal District	Legislation	1,576		Property Valuation
Quiddity Engineering, LLC	2020	226,701		Engineer
Kimley-Horn & Associates, Inc.	2020			Landscape Architect
McGrath & Co., PLLC	2020	42,000		Auditor
R.W. Baird & Co., Inc.	2020	699,213		Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.
 See accompanying auditor's report.

**HARRIS - WALLER COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 5**

HARRIS AND WALLER COUNTIES, TEXAS

FINANCIAL REPORT

April 30, 2024

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Harris - Waller Counties Municipal Utility District No. 5

Harris and Waller Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris - Waller Counties Municipal Utility District No. 5 (the "District"), as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris - Waller Counties Municipal Utility District No. 5, as of April 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

***Board of Directors
Harris - Waller Counties Municipal Utility District No. 5
Harris and Waller Counties, Texas***

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 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, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors
Harris - Waller Counties Municipal Utility District No. 5
Harris and Waller Counties, Texas***

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 Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



Houston, Texas
July 18, 2024

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Management's Discussion and Analysis

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***Harris - Waller Counties Municipal Utility District No. 5
Management's Discussion and Analysis
April 30, 2024***

Using this Annual Report

Within this section of the financial report of Harris - Waller Counties Municipal Utility District No. 5 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Harris - Waller Counties Municipal Utility District No. 5
Management's Discussion and Analysis
April 30, 2024***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at April 30, 2024, was negative \$21,328,840. The amount is negative primarily because the District incurs debt to construct public roads which it conveys to Waller County. A comparative summary of the District's overall financial position, as of April 30, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 7,729,660	\$ 2,445,835
Capital assets	24,325,863	18,877,516
Total assets	<u>32,055,523</u>	<u>21,323,351</u>
Current liabilities	9,896,162	7,969,472
Long-term liabilities	43,488,201	29,496,389
Total liabilities	<u>53,384,363</u>	<u>37,465,861</u>
Net position		
Net investment in capital assets	(6,031,026)	(2,029,368)
Restricted	2,149,062	726,454
Unrestricted	(17,446,876)	(14,839,596)
Total net position	<u>\$ (21,328,840)</u>	<u>\$ (16,142,510)</u>

***Harris - Waller Counties Municipal Utility District No. 5
Management's Discussion and Analysis
April 30, 2024***

The total net position of the District decreased during the current fiscal year by \$5,186,330. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Property taxes, penalties and interest	\$ 5,446,799	\$ 1,009,957
Water and sewer service	1,901,682	1,092,897
Other	<u>1,142,660</u>	<u>1,262,181</u>
Total revenues	<u>8,491,141</u>	<u>3,365,035</u>
Expenses		
Current service operations	1,709,972	1,454,333
Debt interest and fees	1,327,976	392,059
Developer interest	1,309,068	318,967
Debt issuance costs	2,041,975	977,119
Intergovernmental	4,424,949	1,610,652
Depreciation	<u>731,028</u>	<u>462,009</u>
Total expenses	<u>11,544,968</u>	<u>5,215,139</u>
Change in net position before other item	(3,053,827)	(1,850,104)
Other item		
Transfers to other governments	<u>(2,132,503)</u>	<u>(8,895,646)</u>
Change in net position	(5,186,330)	(10,745,750)
Net position, beginning of year	<u>(16,142,510)</u>	<u>(5,396,760)</u>
Net position, end of year	<u>\$ (21,328,840)</u>	<u>\$ (16,142,510)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2024, were \$4,639,356, which consists of \$1,935,947 in the General Fund, \$2,071,410 in the Debt Service Fund, and \$631,999 in the Capital Projects Fund.

***Harris - Waller Counties Municipal Utility District No. 5
Management's Discussion and Analysis
April 30, 2024***

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 2,901,463</u>	<u>\$ 1,260,381</u>
Total liabilities	\$ 917,642	\$ 774,157
Total deferred inflows	47,874	26,450
Total fund balance	<u>1,935,947</u>	<u>459,774</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,901,463</u>	<u>\$ 1,260,381</u>

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2024	2023
Total revenues	\$ 5,241,451	\$ 2,899,827
Total expenditures	<u>(3,765,278)</u>	<u>(3,064,863)</u>
Revenues over/(under) expenditures	1,476,173	(165,036)
Other changes in fund balance		208,769
Net change in fund balance	<u>\$ 1,476,173</u>	<u>\$ 43,733</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

***Harris - Waller Counties Municipal Utility District No. 5
Management's Discussion and Analysis
April 30, 2024***

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of April 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 4,194,899</u>	<u>\$ 727,548</u>
Total liabilities	\$ 2,045,837	\$ 1,094
Total deferred inflows	77,652	23,362
Total fund balance	<u>2,071,410</u>	<u>703,092</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,194,899</u>	<u>\$ 727,548</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2024	2023
Total revenues	\$ 3,148,694	\$ 408,998
Total expenditures	<u>(3,134,176)</u>	<u>(258,806)</u>
Revenues over expenditures	14,518	150,192
Other changes in fund balance	1,353,800	552,900
Net change in fund balance	<u>\$ 1,368,318</u>	<u>\$ 703,092</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of April 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 633,298</u>	<u>\$ 457,906</u>
Total liabilities	\$ 1,299	\$ -
Total fund balance	<u>631,999</u>	<u>457,906</u>
Total liabilities and fund balance	<u>\$ 633,298</u>	<u>\$ 457,906</u>

***Harris - Waller Counties Municipal Utility District No. 5
Management's Discussion and Analysis
April 30, 2024***

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2024	2023
Total revenues	\$ 25,282	\$ 6,398
Total expenditures	(21,291,276)	(10,058,757)
Revenues under expenditures	(21,265,994)	(10,052,359)
Other changes in fund balance	21,440,087	10,334,600
Net change in fund balance	<u>\$ 174,093</u>	<u>\$ 282,241</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds, Series 2023 Tax Road Bonds, Series 2023 Bond Anticipation Note and Series 2023 Park Bond Anticipation Note in the current year and proceeds from the issuance of its Series 2022 Unlimited Tax Bonds and Series 2022A Bond Anticipation Note in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the fiscal year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$283,676 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

***Harris - Waller Counties Municipal Utility District No. 5
Management's Discussion and Analysis
April 30, 2024***

Capital assets held by the District at April 30, 2024 and 2023, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Construction in progress	<u>\$ 258,008</u>	<u>\$ -</u>
Capital assets being depreciated		
Infrastructure	19,457,534	18,483,712
Landscaping improvements	<u>5,972,735</u>	<u>1,025,190</u>
	<u>25,430,269</u>	<u>19,508,902</u>
Less accumulated depreciation		
Infrastructure	(1,008,629)	(576,239)
Landscaping improvements	<u>(353,785)</u>	<u>(55,147)</u>
	<u>(1,362,414)</u>	<u>(631,386)</u>
Depreciable capital assets, net	<u>24,067,855</u>	<u>18,877,516</u>
Capital assets, net	<u>\$ 24,325,863</u>	<u>\$ 18,877,516</u>

Capital asset additions during the current year include the following:

- Water, sewer, and drainage facilities to serve Section 17
- Landscape to serve Sunterra Section 10
- Drainage facilities to serve Section 27
- Park landscape to serve Sunterra Sections 1 - 4, 5 - 9 and Section 11
- Landscape, hardscape, and irrigation to serve Sunterra Section 5 - 9, 11 - 13, 17 - 20, 26, 27
- Sunterra Section 27 driveway
- Section 17 – 20 added walks
- Make-up waterlines – 12 inch equalizer line

The District's construction in progress is for the construction of landscape, hardscape, and irrigation to serve Sunterra Section 21.

Waller County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of Waller County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed. For the year ended April 30, 2024, capital assets in the amount of \$2,132,503 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of April 30, 2024, the District owes approximately \$10,833,201 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual

***Harris - Waller Counties Municipal Utility District No. 5
Management's Discussion and Analysis
April 30, 2024***

construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$4,070,008 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are tried up when the developers are reimbursed.

At April 30, 2024 and 2023, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2022	\$ 9,215,000	\$ 9,215,000
2023	12,350,000	
2023 Road	11,275,000	
	<u>\$ 32,840,000</u>	<u>\$ 9,215,000</u>

During the current year, the District issued \$12,350,000 in unlimited tax bonds and \$11,275,000 in unlimited tax road bonds. At April 30, 2024, the District had \$113,265,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$40,449,000 for the refunding of such bonds; \$49,780,000 authorized, but unissued, for parks and recreational facilities and \$14,934,000 for the refunding of such bonds; and \$115,970,000 authorized, but unissued, for road improvements and \$38,174,000 for the refunding of such bonds.

During the current year, the District issued \$6,315,000 in bond anticipation notes (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2024 Actual	2025 Budget
Total revenues	\$ 5,241,451	\$ 4,673,500
Total expenditures	(3,765,278)	(3,534,028)
Revenues over expenditures	1,476,173	1,139,472
Beginning fund balance	459,774	1,935,947
Ending fund balance	<u>\$ 1,935,947</u>	<u>\$ 3,075,419</u>

*Harris - Waller Counties Municipal Utility District No. 5
Management's Discussion and Analysis
April 30, 2024*

Property Taxes

The District's property tax base increased approximately \$115,476,000 for the 2024 tax year from \$358,137,790 to \$473,614,168, based on preliminary values. This increase was primarily due to new construction in the District.

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Basic Financial Statements

Harris - Waller Counties Municipal Utility District No. 5
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 309,215	\$ 2,099,746	\$ 271,295	\$ 2,680,256	\$ -	\$ 2,680,256
Investments	2,147,615	2,038,828	460,546	4,646,989		4,646,989
Taxes receivable	47,874	77,652		125,526		125,526
Customer service receivables	228,553			228,553		228,553
Internal balances	119,870	(21,327)	(98,543)			
Prepaid items	883			883		883
Other receivables	47,453			47,453		47,453
Capital assets not being depreciated					258,008	258,008
Capital assets, net					24,067,855	24,067,855
Total Assets	\$ 2,901,463	\$ 4,194,899	\$ 633,298	\$ 7,729,660	24,325,863	32,055,523
Liabilities						
Accounts payable	\$ 346,952	\$ -	\$ 1,299	\$ 348,251		348,251
Due to Master District		2,045,072		2,045,072		2,045,072
Retainage payable	15,503			15,503		15,503
Other payables	2,953	765		3,718		3,718
Customer deposits	477,409			477,409		477,409
Builder deposits	22,525			22,525		22,525
Unearned revenue	52,300			52,300		52,300
Accrued interest payable					431,384	431,384
Bond anticipation note payable					6,315,000	6,315,000
Due to developers					10,833,201	10,833,201
Long-term debt						
Due within one year					185,000	185,000
Due after one year					32,655,000	32,655,000
Total Liabilities	917,642	2,045,837	1,299	2,964,778	50,419,585	53,384,363
Deferred Inflows of Resources						
Deferred property taxes	47,874	77,652		125,526	(125,526)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	883			883	(883)	
Restricted		2,071,410	631,999	2,703,409	(2,703,409)	
Unassigned	1,935,064			1,935,064	(1,935,064)	
Total Fund Balances	1,935,947	2,071,410	631,999	4,639,356	(4,639,356)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,901,463	\$ 4,194,899	\$ 633,298	\$ 7,729,660		
Net Position						
Net investment in capital assets					(6,031,026)	(6,031,026)
Restricted for debt service					2,149,062	2,149,062
Unrestricted					(17,446,876)	(17,446,876)
Total Net Position					\$ (21,328,840)	\$ (21,328,840)

See notes to basic financial statements.

Harris - Waller Counties Municipal Utility District No. 5
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 1,259,073	\$ -	\$ -	\$ 1,259,073	\$ -	\$ 1,259,073
Sewer service	642,609			642,609		642,609
Property taxes	2,252,131	3,050,531		5,302,662	68,337	5,370,999
Penalties and interest	45,609	22,814		68,423	7,377	75,800
Tap connection and inspection	976,199			976,199		976,199
Miscellaneous	18,735	109		18,844		18,844
Investment earnings	47,095	75,240	25,282	147,617		147,617
Total Revenues	5,241,451	3,148,694	25,282	8,415,427	75,714	8,491,141
Expenditures/Expenses						
Current service operations						
Professional fees	166,474	2,511	103,800	272,785		272,785
Contracted services	1,009,592	63,854		1,073,446		1,073,446
Repairs and maintenance	322,739			322,739		322,739
Administrative	20,010	9,361		29,371		29,371
Other	10,270	1,001	360	11,631		11,631
Capital outlay	1,573		17,612,380	17,613,953	(17,613,953)	
Debt service						
Interest and fees		867,120	223,693	1,090,813	237,163	1,327,976
Developer interest			1,309,068	1,309,068		1,309,068
Debt issuance costs			2,041,975	2,041,975		2,041,975
Intergovernmental						
Master District connection fees	1,950,052			1,950,052		1,950,052
Maintenance charges	284,568			284,568		284,568
Contractual obligations		2,190,329		2,190,329		2,190,329
Depreciation					731,028	731,028
Total Expenditures/Expenses	3,765,278	3,134,176	21,291,276	28,190,730	(16,645,762)	11,544,968
Revenues Over/(Under) Expenses/Expenditures	1,476,173	14,518	(21,265,994)	(19,775,303)	16,721,476	(3,053,827)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		1,353,800	22,271,200	23,625,000	(23,625,000)	
Proceeds from bond anticipation note			6,315,000	6,315,000	(6,315,000)	
Repayment of bond anticipation note			(7,000,000)	(7,000,000)	7,000,000	
Repayment of developer advances			(146,113)	(146,113)	146,113	
Other Item						
Transfers to other governments					(2,132,503)	(2,132,503)
Net Change in Fund Balance Change in Net Position	1,476,173	1,368,318	174,093	3,018,584	(3,018,584)	(5,186,330)
Fund Balance/Net Position						
Beginning of the year	459,774	703,092	457,906	1,620,772	(17,763,282)	(16,142,510)
End of the year	\$ 1,935,947	\$ 2,071,410	\$ 631,999	\$ 4,639,356	\$ (25,968,196)	\$ (21,328,840)

See notes to basic financial statements.

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Harris - Waller Counties Municipal Utility District No. 5
Notes to Financial Statements
April 30, 2024

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris - Waller Counties Municipal Utility District No. 5 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

Harris - Waller Counties Municipal Utility District No. 4 (“MUD 4”) was organized, created, and established pursuant to House Bill No. 4520, 86th Session of the Texas Legislature, Regular Session, codified as Chapter 8047, Texas Special District Local Law Code (the “Act”), effective May 3, 2019. On July 30, 2020, the voters of MUD 4 approved a proposition dividing MUD 4 into three districts: the District, MUD 4 and Waller County Municipal Utility District No. 37 (“MUD 37”). As a result of the division, the District operates in accordance with Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution, and the Texas Water Code, Chapters 49 and 54. On November 3, 2020, the voters of the District voted to confirm the creation of the District. The Board of Directors held its first meeting on August 11, 2020, and the first bonds were issued on November 22, 2022.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At April 30, 2024, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	45 years
Landscaping improvements	20 years

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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’s nonspendable fund balance consists of prepaid items.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and capitalized interest from the sale of bonds and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. 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 has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to Waller County and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Harris - Waller Counties Municipal Utility District No. 5
Notes to Financial Statements
April 30, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$	4,639,356
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$	25,688,277
Less accumulated depreciation		<u>(1,362,414)</u>
Change due to capital assets		24,325,863
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bond anticipation payable		(6,315,000)
Interest payable on bonds		(431,384)
Bonds payable, net		<u>(32,840,000)</u>
Change due to long-term debt		(39,586,384)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(10,833,201)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		125,526
Total net position - governmental activities	<u>\$</u>	<u>(21,328,840)</u>

Harris - Waller Counties Municipal Utility District No. 5
Notes to Financial Statements
April 30, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ 3,018,584

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest. 75,714

Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset. Other assets are recorded as transfers to other governments.

Capital outlays	\$ 17,613,953	
Depreciation expense	(731,028)	
Transfers to other governments	(2,132,503)	
		14,750,422

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government-wide statements.

Issuance of long term debt	(23,625,000)	
Proceeds from bond anticipation note	(6,315,000)	
Repayment of bond anticipation note	7,000,000	
Interest payable on bonds	(237,163)	
		(23,177,163)

Amounts repaid to the District's developers for construction advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 146,113

Change in net position of governmental activities \$ (5,186,330)

Harris - Waller Counties Municipal Utility District No. 5
Notes to Financial Statements
April 30, 2024

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of April 30, 2024, the District’s investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
TexSTAR	General	\$ 2,147,615	AAAm	38 days
	Debt Service	2,038,828		
	Capital Projects	460,546		
		<u>\$ 4,646,989</u>		

Harris - Waller Counties Municipal Utility District No. 5
Notes to Financial Statements
April 30, 2024

Note 3 – Deposits and Investments (continued)

TexSTAR

The Texas Short Term Asset Reserve fund (“TexSTAR”) is managed by Hilltop Securities, and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2024, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 21,327	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	98,543	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Harris - Waller Counties Municipal Utility District No. 5
Notes to Financial Statements
April 30, 2024

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Construction in progress	\$ -	\$ 258,008	\$ 258,008
Capital assets being depreciated			
Infrastructure	18,483,712	973,822	19,457,534
Landscaping improvements	1,025,190	4,947,545	5,972,735
	<u>19,508,902</u>	<u>5,921,367</u>	<u>25,430,269</u>
Less accumulated depreciation			
Infrastructure	(576,239)	(432,390)	(1,008,629)
Landscaping improvements	(55,147)	(298,638)	(353,785)
	<u>(631,386)</u>	<u>(731,028)</u>	<u>(1,362,414)</u>
Subtotal depreciable capital assets, net	<u>18,877,516</u>	<u>5,190,339</u>	<u>24,067,855</u>
Capital assets, net	<u>\$ 18,877,516</u>	<u>\$ 5,448,347</u>	<u>\$ 24,325,863</u>

Depreciation expense for the current fiscal year was \$731,028.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$7,000,000. This BAN was repaid on August 22, 2023 with proceeds from the issuance of the District's Series 2023 Unlimited Tax Bonds.

On December 21, 2023, the District issued a \$1,980,000 BAN with an interest rate of 5.63% and a \$4,335,000 Park BAN with an interest rate of 5.63%, both of which are due on December 20, 2024.

The effect of these transactions on the District's short-term obligations are as follows:

Beginning balance	\$ 7,000,000
Amounts borrowed	6,315,000
Amounts repaid	<u>(7,000,000)</u>
Ending balance	<u>\$ 6,315,000</u>

Harris - Waller Counties Municipal Utility District No. 5
Notes to Financial Statements
April 30, 2024

Note 7 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Changes in the estimated amounts due to developers during the year are as follows:

Due to developers, beginning of year	\$ 20,281,389
Developer reimbursements	(17,161,870)
Developer funded construction and adjustments	7,859,795
Repayment of operating advances	<u>(146,113)</u>
Due to developers, end of year	<u>\$ 10,833,201</u>

In addition, the District will owe the developers approximately \$4,070,008, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percentage Completed
Sunterra Sections 21 - hardscape, landscape and irrigation	\$ 697,911	80%
Sunterra Sections 34 - hardscape, landscape and irrigation	26,497	80%
Sunterra sol club west amenity improvements	2,339,159	81%
Sunterra beach corner park improvements	<u>1,006,442</u>	91%
	<u>\$ 4,070,008</u>	

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 32,840,000</u>
Due within one year	<u>\$ 185,000</u>

Harris - Waller Counties Municipal Utility District No. 5
Notes to Financial Statements
April 30, 2024

Note 8 – Long-Term Debt (continued)

The District’s bonds payable at April 30, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2022	\$ 9,215,000	\$ 9,215,000	4.00% - 5.00%	September 1, 2024/2048	September 1, March 1	September 1, 2029
2023	12,350,000	12,350,000	3.50% - 5.00%	September 1, 2025/2049	September 1, March 1	September 1, 2030
2023 Road	11,275,000	11,275,000	5.00%	September 1, 2025/2049	September 1, March 1	September 1, 2030
	<u>\$ 32,840,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At April 30, 2024, the District had authorized but unissued bonds in the amount of \$113,265,000 for water, sanitary sewer and drainage systems within the District and \$40,449,000 for the refunding of such bonds; \$49,780,000 for park and recreational facilities and \$14,934,000 for the refunding of such bonds; and \$115,970,000 for road improvements and \$38,174,000 for the refunding of such bonds.

On August 22, 2023, the District issued its \$12,350,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.257793%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a \$7,000,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

On November 21, 2023, the District issued its \$11,275,000 Series 2023 Unlimited Tax Road Bonds at a net effective interest rate of 5.178355%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 9,215,000
Bonds issued	23,625,000
Bonds payable, end of year	<u>\$ 32,840,000</u>

Harris - Waller Counties Municipal Utility District No. 5
Notes to Financial Statements
April 30, 2024

Note 8 – Long-Term Debt (continued)

As of April 30, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 185,000	\$ 1,511,150	\$ 1,696,150
2026	705,000	1,490,800	2,195,800
2027	735,000	1,456,800	2,191,800
2028	780,000	1,421,050	2,201,050
2029	810,000	1,383,550	2,193,550
2030	850,000	1,344,250	2,194,250
2031	895,000	1,302,631	2,197,631
2032	935,000	1,261,200	2,196,200
2033	980,000	1,220,201	2,200,201
2034	1,035,000	1,176,669	2,211,669
2035	1,080,000	1,130,200	2,210,200
2036	1,140,000	1,081,000	2,221,000
2037	1,195,000	1,028,944	2,223,944
2038	1,255,000	973,725	2,228,725
2039	1,315,000	914,863	2,229,863
2040	1,380,000	852,513	2,232,513
2041	1,450,000	787,013	2,237,013
2042	1,520,000	718,238	2,238,238
2043	1,600,000	645,963	2,245,963
2044	1,680,000	569,938	2,249,938
2045	1,765,000	489,663	2,254,663
2046	1,850,000	405,019	2,255,019
2047	1,945,000	316,138	2,261,138
2048	2,040,000	222,313	2,262,313
2049	2,140,000	123,419	2,263,419
2050	1,575,000	36,394	1,611,394
	<u>\$ 32,840,000</u>	<u>\$ 23,863,644</u>	<u>\$ 56,703,644</u>

Note 9 – Property Taxes

On November 3, 2020, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and a road maintenance tax limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Harris - Waller Counties Municipal Utility District No. 5
Notes to Financial Statements
April 30, 2024

Note 9 – Property Taxes (continued)

All property values and exempt status, if any, are determined by the Harris Central and Waller County Appraisal Districts. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, of which \$0.635 was allocated to maintenance and operations, \$0.285 was allocated to debt service, and \$0.58 was allocated to contract tax. The resulting tax levy was \$5,372,067 on the adjusted taxable value of \$358,137,790.

Property taxes receivable, at April 30, 2024, consisted of the following:

Current year taxes receivable	\$ 113,076
Prior years taxes receivable	9
	<u>113,085</u>
Penalty and interest receivable	12,441
Property taxes receivable	<u><u>\$ 125,526</u></u>

Note 10 – Transfers to Other Governments

Waller County assumes responsibility for the maintenance of public roads constructed within Waller County limits. Accordingly, road facilities are considered to be capital assets of Waller County, not the District. The estimated cost of each road project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developers are subsequently reimbursed. For the year ended April 30, 2024, the District recorded transfers to other governments in the amount of \$2,132,503 for road facilities constructed by a developer within the District.

Note 11 – Master District

On November 17, 2020, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the “Contract”) with MUD 4 (the “Master District”), as subsequently amended, whereby the Master District agrees to provide or cause to be provided the regional water, wastewater, drainage and road facilities necessary to serve all participating districts located within the Master District’s service area.

Harris - Waller Counties Municipal Utility District No. 5
Notes to Financial Statements
April 30, 2024

Note 11 – Master District (continued)

Operating and Maintenance Reserve

The Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the District to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually. As of April 30, 2024, the District has paid \$251,294 to the Master District for its share of the operating and maintenance reserve.

Monthly Connection Fees for Operating Expenses

Upon commencement of services, the Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The term of the Contract is 40 years.

Master District Debt

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage, and road facilities needed to provide services to all participating districts in the service area. The District shall contribute annually to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. For the 2023 tax year, the District's pro rata share is 62.16%. The District levied a contract tax rate of \$0.58 per \$100 of assessed valuation to pay for its pro rata share of Master District debt service requirements. As of April 30, 2024, the Master District has \$53,215,000 in contract revenue bonds outstanding.

Summary of Charges

For the fiscal year ended April 30, 2024, the District incurred the following costs pursuant to the Contract with the Master District:

- Monthly connection fees for operating expenses in the amount of \$1,950,052;
- Monthly charges for mowing expenses in the amount of \$284,568; and
- Contractual obligations for Master District debt service requirements in the amount of \$2,190,329.

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the four prior years.

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Required Supplementary Information

***Harris - Waller Counties Municipal Utility District No. 5
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2024***

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 1,551,198	\$ 1,551,198	\$ 1,259,073	\$ (292,125)
Sewer service	90,000	90,000	642,609	552,609
Property taxes	1,004,559	2,200,000	2,252,131	52,131
Penalties and interest	1,000	1,000	45,609	44,609
Tap connection and inspection	463,500	463,500	976,199	512,699
Miscellaneous			18,735	18,735
Investment earnings			47,095	47,095
Total Revenues	3,110,257	4,305,698	5,241,451	935,753
Expenditures				
Current service operations				
Professional fees	141,000	141,000	166,474	(25,474)
Contracted services	2,441,244	2,501,244	1,009,592	1,491,652
Repairs and maintenance	441,857	441,857	322,739	119,118
Administrative	24,100	24,100	20,010	4,090
Other	5,000	5,000	10,270	(5,270)
Capittal outlay			1,573	(1,573)
Intergovernmental				
Master District connection fees			1,950,052	(1,950,052)
Maintenance charges			284,568	(284,568)
Total Expenditures	3,053,201	3,113,201	3,765,278	(652,077)
Revenues Over Expenditures	57,056	1,192,497	1,476,173	283,676
Fund Balance				
Beginning of the year	459,774	459,774	459,774	
End of the year	\$ 516,830	\$ 1,652,271	\$ 1,935,947	\$ 283,676

Harris - Waller Counties Municipal Utility District No. 5
Notes to Required Supplementary Information
April 30, 2024

Budgets and Budgetary Accounting

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 budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Harris - Waller Counties Municipal Utility District No. 5
TSI-1. Services and Rates
April 30, 2024

1. Services provided by the District During the Fiscal Year:

- Retail Water Wholesale Water Solid Waste/ Garbage Drainage
 Retail Wastewater Wholesale Wastewater Flood Control Irrigation
 Parks / Recreation Fire Protection Roads Security
 Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
 Other (Specify): _____

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 57.00	10,000	N	\$ 4.30	10,001 to no limit
Wastewater:	\$ 47.50		Y		

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 57.00 Wastewater \$ 47.50

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1,480	1,460	x 1.0	1,460
1"	1	1	x 2.5	3
1.5"	38	38	x 5.0	190
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	1,519	1,499		1,653
Total Wastewater	1,481	1,461	x 1.0	1,461

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-1. Services and Rates
April 30, 2024

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons purchased:	<u>182,719</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>182,719</u>	(Gallons billed / Gallons pumped)
		<u>100.00%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes No

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Harris and Waller Counties

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-2 General Fund Expenditures
For the Year Ended April 30, 2024

Professional fees	
Legal	\$ 153,474
Audit	13,000
	<u>166,474</u>
Contracted services	
Bookkeeping	24,025
Operator	132,170
Tap connection and inspection	537,879
Garbage service	217,134
Security service	98,384
	<u>1,009,592</u>
Repairs and maintenance	<u>322,739</u>
Administrative	
Directors fees	11,216
Printing and office supplies	2,061
Insurance	3,135
Other	3,598
	<u>20,010</u>
Other	<u>10,270</u>
Capital outlay	<u>1,573</u>
Intergovernmental	
Master District connection fees	1,950,052
Maintenance charges	284,568
	<u>2,234,620</u>
Total expenditures	<u>\$ 3,765,278</u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-3. Investments
April 30, 2024

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	\$ 2,147,615
Debt Service			
TexSTAR	Variable	N/A	1,331,210
	Variable	N/A	707,618
			<u>2,038,828</u>
Capital Projects			
TexSTAR	Variable	N/A	<u>460,546</u>
Total - All Funds			<u>\$ 4,646,989</u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-4. Taxes Levied and Receivable
April 30, 2024

	Maintenance Taxes	W-S-D Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 26,449	\$ 6,391	\$ 11,908	\$ 44,748
Adjustments to Prior Year Tax Levy	(620)	(157)	(292)	(1,069)
Adjusted Receivable	25,829	6,234	11,616	43,679
2023 Original Tax Levy	2,080,971	933,979	1,900,729	4,915,679
Adjustments	193,204	86,714	176,470	456,388
Adjusted Tax Levy	2,274,175	1,020,693	2,077,199	5,372,067
Total to be accounted for	2,300,004	1,026,927	2,088,815	5,415,746
Tax collections:				
Current year	2,226,306	999,208	2,033,477	5,258,991
Prior year	25,824	6,232	11,614	43,670
Total Collections	2,252,130	1,005,440	2,045,091	5,302,661
Taxes Receivable, End of Year	\$ 47,874	\$ 21,487	\$ 43,724	\$ 113,085
Taxes Receivable, By Years				
2023	\$ 47,869	\$ 21,485	\$ 43,722	\$ 113,076
2022	5	2	2	9
Taxes Receivable, End of Year	\$ 47,874	\$ 21,487	\$ 43,724	\$ 113,085
Property Valuations:		2023	2022	2021
Land		\$ 109,389,234	\$ 55,871,227	\$ 10,036,475
Improvements		262,715,530	8,733,418	440,490
Personal Property		2,555,290	277,369	75,854
Exemptions		(16,522,264)	(629,422)	(99,673)
Total Property Valuations		\$ 358,137,790	\$ 64,252,592	\$ 10,453,146
Tax Rates per \$100 Valuation:				
Maintenance tax rates		\$ 0.635	\$ 0.87	\$ 1.50
W-S-D debt service tax rates		0.285	0.22	
Contract tax rates		0.580	0.41	
Total Tax Rates per \$100 Valuation		\$ 1.500	\$ 1.50	\$ 1.50
Adjusted Tax Levy:		\$ 5,372,067	\$ 963,789	\$ 156,797
Percentage of Taxes Collected to Taxes Levied ***		97.90%	99.99%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 3, 2020

** Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 3, 2020

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

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
April 30, 2024

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 185,000	\$ 439,225	\$ 624,225
2026	195,000	431,625	626,625
2027	205,000	423,625	628,625
2028	220,000	415,125	635,125
2029	230,000	406,125	636,125
2030	240,000	396,575	636,575
2031	255,000	386,206	641,206
2032	265,000	374,825	639,825
2033	280,000	362,563	642,563
2034	295,000	349,256	644,256
2035	310,000	334,500	644,500
2036	330,000	318,500	648,500
2037	345,000	301,625	646,625
2038	365,000	283,875	648,875
2039	380,000	265,250	645,250
2040	400,000	245,750	645,750
2041	425,000	225,125	650,125
2042	445,000	203,375	648,375
2043	470,000	180,500	650,500
2044	495,000	156,375	651,375
2045	520,000	131,000	651,000
2046	545,000	104,375	649,375
2047	575,000	76,375	651,375
2048	605,000	46,875	651,875
2049	635,000	15,875	650,875
	<u>\$ 9,215,000</u>	<u>\$ 6,874,525</u>	<u>\$ 16,089,525</u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
April 30, 2024

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ -	\$ 508,175	\$ 508,175
2026	280,000	501,175	781,175
2027	290,000	486,925	776,925
2028	305,000	472,050	777,050
2029	315,000	456,550	771,550
2030	330,000	440,425	770,425
2031	345,000	423,550	768,550
2032	360,000	408,625	768,625
2033	375,000	395,763	770,763
2034	395,000	382,288	777,288
2035	410,000	368,200	778,200
2036	430,000	353,500	783,500
2037	450,000	337,819	787,819
2038	470,000	320,850	790,850
2039	490,000	302,238	792,238
2040	515,000	282,138	797,138
2041	535,000	261,138	796,138
2042	560,000	239,238	799,238
2043	585,000	216,338	801,338
2044	610,000	192,438	802,438
2045	640,000	167,038	807,038
2046	670,000	140,019	810,019
2047	700,000	111,763	811,763
2048	730,000	81,813	811,813
2049	765,000	50,044	815,044
2050	795,000	16,894	811,894
	<u>\$ 12,350,000</u>	<u>\$ 7,916,994</u>	<u>\$ 20,266,994</u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2023 Road--by Years
April 30, 2024

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ -	\$ 563,750	\$ 563,750
2026	230,000	558,000	788,000
2027	240,000	546,250	786,250
2028	255,000	533,875	788,875
2029	265,000	520,875	785,875
2030	280,000	507,250	787,250
2031	295,000	492,875	787,875
2032	310,000	477,750	787,750
2033	325,000	461,875	786,875
2034	345,000	445,125	790,125
2035	360,000	427,500	787,500
2036	380,000	409,000	789,000
2037	400,000	389,500	789,500
2038	420,000	369,000	789,000
2039	445,000	347,375	792,375
2040	465,000	324,625	789,625
2041	490,000	300,750	790,750
2042	515,000	275,625	790,625
2043	545,000	249,125	794,125
2044	575,000	221,125	796,125
2045	605,000	191,625	796,625
2046	635,000	160,625	795,625
2047	670,000	128,000	798,000
2048	705,000	93,625	798,625
2049	740,000	57,500	797,500
2050	780,000	19,500	799,500
	<u>\$ 11,275,000</u>	<u>\$ 9,072,125</u>	<u>\$ 20,347,125</u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
April 30, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 185,000	\$ 1,511,150	\$ 1,696,150
2026	705,000	1,490,800	2,195,800
2027	735,000	1,456,800	2,191,800
2028	780,000	1,421,050	2,201,050
2029	810,000	1,383,550	2,193,550
2030	850,000	1,344,250	2,194,250
2031	895,000	1,302,631	2,197,631
2032	935,000	1,261,200	2,196,200
2033	980,000	1,220,201	2,200,201
2034	1,035,000	1,176,669	2,211,669
2035	1,080,000	1,130,200	2,210,200
2036	1,140,000	1,081,000	2,221,000
2037	1,195,000	1,028,944	2,223,944
2038	1,255,000	973,725	2,228,725
2039	1,315,000	914,863	2,229,863
2040	1,380,000	852,513	2,232,513
2041	1,450,000	787,013	2,237,013
2042	1,520,000	718,238	2,238,238
2043	1,600,000	645,963	2,245,963
2044	1,680,000	569,938	2,249,938
2045	1,765,000	489,663	2,254,663
2046	1,850,000	405,019	2,255,019
2047	1,945,000	316,138	2,261,138
2048	2,040,000	222,313	2,262,313
2049	2,140,000	123,419	2,263,419
2050	1,575,000	36,394	1,611,394
	<u>\$ 32,840,000</u>	<u>\$ 23,863,644</u>	<u>\$ 56,703,644</u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-6. Change in Long-Term Bonded Debt
April 30, 2024

	Bond Issue			Totals
	Series 2022	Series 2023	Series 2023 Road	
Interest rate	4.00% - 5.00%	3.50% - 5.00%	5.00%	
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/24 - 9/1/48	9/1/25 - 9/1/49	9/1/25 - 9/1/49	
Beginning bonds outstanding	\$ 9,215,000	\$ -	\$ -	\$ 9,215,000
Bonds issued		12,350,000	11,275,000	23,625,000
Ending bonds outstanding	\$ 9,215,000	\$ 12,350,000	\$ 11,275,000	\$ 32,840,000
Interest paid during fiscal year	\$ 442,925	\$ 266,792	\$ 156,597	\$ 866,314
Paying agent's name and city	Regions Bank, Houston, Texas			
Series 2022	BOKF, N.A., Dallas, Texas			
All other series				

Bond Authority:	Water, Sewer and	Water, Sewer and	Road Refunding
	Drainage Bonds	Drainage Refunding Bonds	Bonds
Amount Authorized by Voters	\$ 134,830,000	\$ 40,449,000	\$ 127,245,000
Amount Issued	(21,565,000)		(11,275,000)
Remaining To Be Issued	\$ 113,265,000	\$ 40,449,000	\$ 115,970,000

Bond Authority:	Park and	Park and
	Recreation Facilities Bonds	Recreation Facilities Refunding Bonds
Amount Authorized by Voters	\$ 49,780,000	\$ 14,934,000
Amount Issued		
Remaining To Be Issued	\$ 49,780,000	\$ 14,934,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of April 30, 2024: \$ 4,138,574

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,180,909

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Four Fiscal Years

	Amounts			
	2024	2023	2022	2021
Revenues				
Water service	\$ 1,259,073	\$ 741,594	\$ 27,381	\$ -
Sewer service	642,609	351,303	9,520	
Property taxes	2,252,131	534,350	156,797	
Penalties and interest	45,609	31,619	1,569	
Tap connection and inspection	976,199	1,211,705	952,845	
Miscellaneous	18,735	20,441	340	
Investment earnings	47,095	8,815	93	13
Total Revenues	<u>5,241,451</u>	<u>2,899,827</u>	<u>1,148,545</u>	<u>13</u>
Expenditures				
Current service operations				
Purchased services			223,041	
Professional fees	166,474	86,762	95,630	155,968
Contracted services	1,009,592	1,051,560	389,411	6,000
Repairs and maintenance	322,739	173,423	20,587	
Administrative	20,010	19,372	17,364	9,904
Other	10,270	21,071	1,570	1,036
Capital outlay	1,573	207,738		
Intergovernmental				
Master District connection fees	1,950,052	1,354,012		
Maintenance charges	284,568	150,925		
Total Expenditures	<u>3,765,278</u>	<u>3,064,863</u>	<u>747,603</u>	<u>172,908</u>
Revenues Over/(Under) Expenditures	<u>\$ 1,476,173</u>	<u>\$ (165,036)</u>	<u>\$ 400,942</u>	<u>\$ (172,895)</u>
Total Active Retail Water Connections	<u>1,499</u>	<u>1,175</u>	<u>614</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>1,461</u>	<u>1,147</u>	<u>606</u>	<u>N/A</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021
24%	26%	2%	- %
12%	12%	1%	-
43%	18%	14%	-
1%	1%	*	-
19%	42%	83%	-
*	1%	*	-
1%	*	*	-
100%	100%	100%	-
		19%	-
3%	3%	8%	-
19%	36%	34%	-
6%	6%	2%	-
*	1%	2%	-
*	1%	*	-
*	7%		-
37%	47%		-
5%	5%		-
70%	106%	65%	-
30%	(6%)	35%	-

Harris - Waller Counties Municipal Utility District No. 5
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Two Fiscal Years

	Amounts		Percent of Fund Total Revenues	
	2024	2023	2024	2023
Revenues				
Property taxes	\$ 3,050,531	\$ 387,122	97%	94%
Penalties and interest	22,814	7,054	1%	2%
Miscellaneous	109	4,217	*	1%
Investment earnings	75,240	10,605	2%	3%
Total Revenues	<u>3,148,694</u>	<u>408,998</u>	<u>100%</u>	<u>100%</u>
Expenditures				
Tax collection services	75,726	30,311	2%	7%
Other	1,001	976	*	*
Debt service				
Interest and fees	867,120	121,804	28%	30%
Intergovernmental				
Contractual obligations	<u>2,190,329</u>	<u>105,715</u>	<u>70%</u>	<u>26%</u>
Total Expenditures	<u>3,134,176</u>	<u>258,806</u>	<u>100%</u>	<u>63%</u>
Revenues Over Expenditures	<u>\$ 14,518</u>	<u>\$ 150,192</u>	<u>-</u>	<u>37%</u>

*Percentage is negligible

See accompanying auditor's report.

***Harris - Waller Counties Municipal Utility District No. 5
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2024***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027

District Business Telephone Number: (713) 860-6400

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054): March 21, 2024

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

(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Richard Jenks	03/24 - 05/24	\$ 221	\$ 2	President
Chelsea Taylor	03/24 - 05/28	442	10	Vice President
Olga M. Strong	05/24 - 05/28	2,510	87	Secretary
Wes Simon	07/23 - 05/26	2,431	50	Assistant Vice President
Cindy Morrow	05/22 - 05/26	2,289	145	Assistant Secretary
Christie Leighton	11/20 - 03/24	2,289	1,266	Former Director
Brian Lopera	11/20 - 03/24	1,034	217	Former Director
Amounts Paid				
Consultants				
Allen Boone Humphries Robinson LLP	2020			Attorney
<i>General legal fees</i>		\$ 107,283		
<i>Bond counsel</i>		634,719		
Municipal District Services	2020	1,096,724		Operator
Myrtle Cruz, Inc.	2020	38,904		Bookkeeper
Bob Leared Interests	2020	21,246		Tax Collector
Waller County Appraisal District	Legislation	37,792		Property Valuation
Harris Central Appraisal District	Legislation	2,796		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2020	2,511		Delinquent Tax Attorney
Quiddity Engineering, LLC	2020	139,570		Engineer
Kimley-Horn & Associates, Inc.	2020	10,690		Landscape Architect
McGrath & Co., PLLC	2020	41,550		Auditor
R.W. Baird & Co., Inc.	2020	539,811		Financial Advisor

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

**WALLER COUNTY MUNICIPAL
UTILITY DISTRICT NO. 37**

WALLER COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2024

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Waller County Municipal Utility District No. 37
Waller County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Waller County Municipal Utility District No. 37 (the "District"), as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Waller County Municipal Utility District No. 37, as of April 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors
Waller County Municipal Utility District No. 37
Waller County, Texas***

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 Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

W.C. Grath & Co, P.C.

Houston, Texas
August 8, 2024

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Management's Discussion and Analysis

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***Waller County Municipal Utility District No. 37
Management's Discussion and Analysis
April 30, 2024***

Using this Annual Report

Within this section of the financial report of Waller County Municipal Utility District No. 37 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

Waller County Municipal Utility District No. 37
Management’s Discussion and Analysis
April 30, 2024

The *Statement of Activities* reports how the District’s net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District’s use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District’s net position at April 30, 2024, was negative \$12,401,867. This amount is negative primarily because the District incurs debt to construct public roads which it conveys to the Waller County. A comparative summary of the District’s overall financial position, as of April 30, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 1,946,547	\$ 411,288
Capital assets	19,661,288	13,010,773
Total assets	21,607,835	13,422,061
Current liabilities	6,907,276	2,427,780
Long-term liabilities	27,102,426	20,064,040
Total liabilities	34,009,702	22,491,820
Net position		
Net investment in capital assets	(2,790,033)	(453,355)
Restricted	390,010	
Unrestricted	(10,001,844)	(8,616,404)
Total net position	\$ (12,401,867)	\$ (9,069,759)

Waller County Municipal Utility District No. 37
Management's Discussion and Analysis
April 30, 2024

The total net position of the District decreased during the current fiscal year by \$3,332,108. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Property taxes, penalties and interest	\$ 1,445,487	\$ 280,838
Water and sewer service	789,041	81,691
Other	1,429,149	616,240
Total revenues	<u>3,663,677</u>	<u>978,769</u>
Expenses		
Current service operations	1,365,757	570,932
Debt interest and fees	448,903	40,882
Developer interest	563,150	
Debt issuance costs	983,014	44,700
Intergovernmental	1,771,246	302,287
Depreciation	634,099	333,610
Total expenses	<u>5,766,169</u>	<u>1,292,411</u>
Change in net position before other item	(2,102,492)	(313,642)
Other item		
Transfers to other governments	<u>(1,229,616)</u>	<u>(8,662,685)</u>
Change in net position	(3,332,108)	(8,976,327)
Net position, beginning of year	<u>(9,069,759)</u>	<u>(93,432)</u>
Net position, end of year	<u>\$ (12,401,867)</u>	<u>\$ (9,069,759)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2024, were \$1,361,823, which consists of \$752,963 in the General Fund, \$598,922 in the Debt Service Fund, and \$9,938 in the Capital Projects Fund.

Waller County Municipal Utility District No. 37
Management's Discussion and Analysis
April 30, 2024

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 1,327,307</u>	<u>\$ 393,045</u>
Total liabilities	\$ 562,984	\$ 276,898
Total deferred inflows	11,360	14
Total fund balance	<u>752,963</u>	<u>116,133</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,327,307</u>	<u>\$ 393,045</u>

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 3,019,690	\$ 978,712
Total expenditures	<u>(2,443,860)</u>	<u>(866,639)</u>
Revenues over expenditures	575,830	112,073
Other changes in fund balance	61,000	
Net change in fund balance	<u>\$ 636,830</u>	<u>\$ 112,073</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

During the current fiscal year, the Capital Projects Fund transferred \$61,000 to the General Fund to reimburse bond application costs incurred in the prior fiscal year.

***Waller County Municipal Utility District No. 37
Management's Discussion and Analysis
April 30, 2024***

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position as of April 30, 2024 is as follows:

Total assets	<u>\$ 609,302</u>
Total deferred inflows	\$ 10,380
Total fund balance	<u>598,922</u>
Total deferred inflows and fund balance	<u>\$ 609,302</u>

A summary of activities of the Debt Service Fund for the current fiscal year is as follows:

Total revenues	\$ 616,267
Total expenditures	<u>(770,261)</u>
Revenues under expenditures	(153,994)
Other changes in fund balance	<u>752,916</u>
Net change in fund balance	<u>\$ 598,922</u>

The District's financial resources in the Debt Service Fund are from property tax revenues and capitalized interest from the sale of bonds. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of April 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 9,938</u>	<u>\$ 18,243</u>
Total fund balance	<u>\$ 9,938</u>	<u>\$ 18,243</u>

***Waller County Municipal Utility District No. 37
Management's Discussion and Analysis
April 30, 2024***

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2024	2023
Total revenues	\$ 5,995	\$ 51
Total expenditures	(13,146,634)	(2,043,058)
Revenues under expenditures	(13,140,639)	(2,043,007)
Other changes in fund balance	13,132,334	2,061,250
Net change in fund balance	<u>\$ (8,305)</u>	<u>\$ 18,243</u>

The District has had considerable capital asset activity in the last two fiscal years, which was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds, Series 2023 Unlimited Tax Road Bonds and Series 2023 Bond Anticipation Note in the current fiscal year and proceeds from the issuance of its Series 2022 Bond Anticipation Note in the prior fiscal year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the fiscal year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$110,851 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Waller County Municipal Utility District No. 37
Management's Discussion and Analysis
April 30, 2024

Capital assets held by the District at April 30, 2024 and 2023, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Capital assets being depreciated		
Infrastructure	\$ 15,894,099	\$ 13,344,383
Landscaping improvements	4,734,898	
	<u>20,628,997</u>	<u>13,344,383</u>
Less accumulated depreciation		
Infrastructure	(730,964)	(333,610)
Landscaping improvements	(236,745)	
	<u>(967,709)</u>	<u>(333,610)</u>
Capital assets, net	<u>\$ 19,661,288</u>	<u>\$ 13,010,773</u>

Capital asset additions during the current fiscal year include the following:

- Utilities to serve Sunterra Sections 18, 19, 20 and 32
- Driveway paving to serve Sunterra Sections 29 and 30
- Hardscape, landscape, and irrigation to serve Sunterra Sections 14-16, 20, 22-25, and 28-30 and Sunterra Drill Site at Section 11

Additionally, Waller County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed. For the year ended April 30, 2024, capital assets in the amount of \$1,229,616 have been recorded as transfers to other governments in the government-wide statements. Additional information is present in Note 10.

Long-Term Debt and Related Liabilities

As of April 30, 2024, the District owes approximately \$17,122,426 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$720,094 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

During the current fiscal year, the District issued \$4,195,000 in unlimited tax bonds and \$5,785,000 unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of April 30, 2023.

Waller County Municipal Utility District No. 37
Management’s Discussion and Analysis
April 30, 2024

At April 30, 2024, the District had \$118,565,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$36,828,000 for the refunding of such bonds; \$40,545,000 for parks and recreational facilities and \$12,164,000 for the refunding of such bonds; \$111,360,000 for road improvements and \$35,144,000 for the refunding of such bonds.

Additionally, during the current fiscal year, the District issued a \$6,125,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

Next Year’s Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year’s budget to current year actual amounts for the General Fund is as follows:

	<u>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 3,019,690	\$ 2,278,900
Total expenditures	<u>(2,443,860)</u>	<u>(1,880,956)</u>
Revenues over expenditures	575,830	397,944
Other changes in fund balance	<u>61,000</u>	<u> </u>
Net change in fund balance	636,830	397,944
Beginning fund balance	<u>116,133</u>	<u>752,963</u>
Ending fund balance	<u><u>\$ 752,963</u></u>	<u><u>\$ 1,150,907</u></u>

Property Taxes

The District’s property tax base increased approximately \$166,360,000 for the 2024 tax year from \$94,447,092 to \$260,806,316. This increase was primarily due to new construction in the District and increased property values.

Basic Financial Statements

Waller County Municipal Utility District No. 37
Statement of Net Position and Governmental Fund Balance Sheet
April 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 352,869	\$ 28,505	\$ 15,024	\$ 396,398	\$ -	\$ 396,398
Investments	694,925	592,738	60,914	1,348,577		1,348,577
Taxes receivable	11,360	10,380		21,740		21,740
Customer service receivables	116,500			116,500		116,500
Internal balances	88,355	(22,355)	(66,000)			
Builder damages receivable	61,286			61,286		61,286
Other receivables		34		34		34
Prepaid items	2,012			2,012		2,012
Capital assets, net					19,661,288	19,661,288
Total Assets	\$ 1,327,307	\$ 609,302	\$ 9,938	\$ 1,946,547	19,661,288	21,607,835
Liabilities						
Accounts payable	\$ 261,201	\$ -	\$ -	\$ 261,201		261,201
Customer deposits	227,613			227,613		227,613
Unearned revenue	72,361			72,361		72,361
Other payables	1,809			1,809		1,809
Accrued interest payable					219,292	219,292
Bond anticipation note payable					6,125,000	6,125,000
Due to developers					17,122,426	17,122,426
Long-term debt						
Due after one year					9,980,000	9,980,000
Total Liabilities	562,984			562,984	33,446,718	34,009,702
Deferred Inflows of Resources						
Deferred property taxes	11,360	10,380		21,740	(21,740)	
Fund Balance/Net Position						
Fund Balance						
Nonspendable	2,012			2,012	(2,012)	
Restricted		598,922	9,938	608,860	(608,860)	
Unassigned	750,951			750,951	(750,951)	
Total Fund Balances	752,963	598,922	9,938	1,361,823	(1,361,823)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,327,307	\$ 609,302	\$ 9,938	\$ 1,946,547		
Net Position						
Net investment in capital assets					(2,790,033)	(2,790,033)
Restricted for debt service					390,010	390,010
Unrestricted					(10,001,844)	(10,001,844)
Total Net Position					\$ (12,401,867)	\$ (12,401,867)

See notes to basic financial statements.

Waller County Municipal Utility District No. 37

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances

For the Year Ended April 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 558,631	\$ -	\$ -	\$ 558,631	\$ -	\$ 558,631
Sewer service	230,410			230,410		230,410
Property taxes	810,359	586,776		1,397,135	19,571	1,416,706
Penalties and interest	23,346	3,281		26,627	2,154	28,781
Tap connection and inspection	1,352,314			1,352,314		1,352,314
Miscellaneous	32,506			32,506		32,506
Investment earnings	12,124	26,210	5,995	44,329		44,329
Total Revenues	3,019,690	616,267	5,995	3,641,952	21,725	3,663,677
Expenditures/Expenses						
Current service operations						
Professional fees	138,787		119,860	258,647		258,647
Contracted services	829,692	25,811		855,503		855,503
Repairs and maintenance	220,355			220,355		220,355
Administrative	22,013	8,668		30,681		30,681
Other	101		470	571		571
Capital outlay			11,407,094	11,407,094	(11,407,094)	
Debt service						
Interest and fees		197,448	73,046	270,494	178,409	448,903
Developer interest			563,150	563,150		563,150
Debt issuance costs			983,014	983,014		983,014
Intergovernmental						
Master District connection fees	983,323			983,323		983,323
Maintenance charges	206,956			206,956		206,956
Contractual obligations	42,633	538,334		580,967		580,967
Depreciation					634,099	634,099
Total Expenditures/Expenses	2,443,860	770,261	13,146,634	16,360,755	(10,594,586)	5,766,169
Revenues Over/(Under) Expenditures/Expenses	575,830	(153,994)	(13,140,639)	(12,718,803)	10,616,311	(2,102,492)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		752,916	9,227,084	9,980,000	(9,980,000)	
Proceeds from bond anticipation note			6,125,000	6,125,000	(6,125,000)	
Repayment of bond anticipation note			(2,110,000)	(2,110,000)	2,110,000	
Internal transfers	61,000		(61,000)			
Repayment of operating advances			(48,750)	(48,750)	48,750	
Other Item						
Transfers to other governments					(1,229,616)	(1,229,616)
Net Change in Fund Balance	636,830	598,922	(8,305)	1,227,447	(1,227,447)	
Change in Net Position					(3,332,108)	(3,332,108)
Fund Balance/Net Position						
Beginning of the year	116,133		18,243	134,376	(9,204,135)	(9,069,759)
End of the year	\$ 752,963	\$ 598,922	\$ 9,938	\$ 1,361,823	\$ (13,763,690)	\$ (12,401,867)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Waller County Municipal Utility District No. 37 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant the House Bill No. 4520, 86th Session of the Texas Legislature, Regular Session, codified as Chapter 8047, Texas Special District Local Law Code (The “Act”), effective May 3, 2019, and operates in accordance with Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution, and the Texas Water Code, Chapters 49 and 54. On July 30, 2020 the voters of the District approved a proposition dividing the District into three districts: the District, Harris - Waller Counties Municipal Utility District No. 4 (“MUD 4”) and Harris-Waller Counties Municipal Utility District No. 5 (“MUD 5”). The Board of Directors held its first meeting on August 11, 2020, and the first bonds were issued on August 15, 2023.

The District’s primary activities include construction, maintenance and operation of water, sewer, drainage, and park and recreational facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll, or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage and road and park and recreational facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset unless a legal right of offset exists. At April 30, 2024, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables, and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater, and drainage facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	40 years
Landscaping improvements	20 years

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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’s nonspendable fund balance consists of prepaid items.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service and capitalized interest from the sale of bonds in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. 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 has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to the Waller County and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Fund Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$	1,361,823
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$	20,628,997
Less accumulated depreciation		<u>(967,709)</u>
Change due to capital assets		19,661,288
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net		(9,980,000)
Bond anticipation note payable		(6,125,000)
Interest payable on bonds		<u>(219,292)</u>
Change due to long-term debt		(16,324,292)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(17,122,426)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		21,740
Total net position - governmental activities	<u>\$</u>	<u>(12,401,867)</u>

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Fund Statement of Revenues, Expenditures and Change in Fund Balance* to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ 1,227,447

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 21,725

Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 11,407,094	
Depreciation expense	(634,099)	
	10,772,995	10,772,995

The issuance of long-term debt provides current financial resources to governmental funds. However, this transaction has no effect on net assets. Other elements of debt financing are reported differently between the fund and government-wide statements.

Issuance of long-term debt	(9,980,000)	
Issuance of bond anticipation note	(6,125,000)	
Repayment of bond anticipation note	2,110,000	
Interest expense accrual	(178,409)	
	(14,173,409)	(14,173,409)

Amounts repaid to the District's developers for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 48,750

The District constructs roads which are accepted into the public road system of Waller County. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (1,229,616)

Change in net position of governmental activities \$ (3,332,108)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Use of Surplus Funds

During the current fiscal year, the TCEQ approved the District's use of surplus funds in the amount of \$228,417 from the Series 2023 Unlimited Tax Bonds to reimburse its developers for the cost of capital assets constructed within the District.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 3 – Deposits and Investments (continued)

Investments (continued)

As of April 30, 2024, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	\$ 694,925	AAAm	38 days
	Debt Service	592,738		
	Capital Projects	60,914		
		\$ 1,348,577		

TexSTAR

The Texas Short Term Asset Reserve fund (“TexSTAR”) is managed by Hilltop Securities, and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2024, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 22,355	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	66,000	Bond application fees paid by the General Fund

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 4 – Interfund Balances and Transactions (continued)

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

During the current fiscal year, the Capital Projects Fund transferred \$61,000 to the General Fund to reimburse bond application costs incurred in the prior fiscal year.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets being depreciated			
Infrastructure	\$ 13,344,383	\$ 2,549,716	\$ 15,894,099
Landscaping improvements		4,734,898	4,734,898
	<u>13,344,383</u>	<u>7,284,614</u>	<u>20,628,997</u>
Less accumulated depreciation			
Infrastructure	(333,610)	(397,354)	(730,964)
Landscaping improvements		(236,745)	(236,745)
	<u>(333,610)</u>	<u>(634,099)</u>	<u>(967,709)</u>
Capital assets, net	<u>\$ 13,010,773</u>	<u>\$ 6,650,515</u>	<u>\$ 19,661,288</u>

Depreciation expense for the current fiscal year was \$634,099.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (“BAN”) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$2,110,000. This BAN was repaid on August 15, 2023, with proceeds from the issuance of the District’s Series 2023 Unlimited Tax Bonds.

On December 21, 2023, the District issued a \$6,125,000 BAN with an interest rate of 6.17%, which is due on December 20, 2024.

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 6 – Bond Anticipation Note (continued)

The effect of these transactions on the District’s short-term obligations are as follows:

Beginning balance	\$ 2,110,000
Amounts borrowed	6,125,000
Amounts repaid	<u>(2,110,000)</u>
Ending balance	<u>\$ 6,125,000</u>

Note 7 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developers are reimbursed.

The District’s developers have also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developers during the fiscal year are as follows:

Due to developers, beginning of year	\$ 20,064,040
Developer reimbursements	(11,407,094)
Developer funded construction and adjustments	8,514,230
Repayment of operating advances	<u>(48,750)</u>
Due to developers, end of year	<u>\$ 17,122,426</u>

In addition, the District will owe the developers approximately \$720,094, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Complete
Sunterra Section 31 - hardscape, landscaping and irrigation	\$ 381,452	95%
Sunterra Section 32 - hardscape, landscaping and irrigation	<u>338,642</u>	95%
	<u>\$ 720,094</u>	

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 9,980,000
Due within one year	\$ -

The District’s bonds payable at April 30, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2023	\$ 4,195,000	\$ 4,195,000	4.00% - 6.50%	September 1, 2025/2049	September 1, March 1,	September 1, 2030
2023 Road	5,785,000	5,785,000	4.75% - 7.25%	September 1, 2025/2049	September 1, March 1,	September 1, 2030
	\$ 9,980,000					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At April 30, 2024, the District had authorized but unissued bonds in the amount of \$118,565,000 for water, sewer and drainage facilities and \$36,828,000 for the refunding of such bonds; \$40,545,000 for park and recreational facilities and \$12,164,000 for the refunding of such bonds; and \$111,360,000 for road improvements and \$35,144,000 for refunding of such bonds.

On August 15, 2023, the District issued its \$4,195,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.522648%. Proceeds of the bonds were used (1) to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a 2022 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

Additionally, on November 14, 2023, the District issued its \$5,785,000 Series 2023 Unlimited Tax Road Bonds at a net effective interest rate of 5.219417%. Proceeds of the bonds were used (1) to reimburse developers for the cost of roads constructed within the District and the acquisition of land for certain District facilities, (2) to pay developer expense at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 8 – Long-Term Debt (continued)

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$	-
Bonds issued		9,980,000
Bonds payable, end of year	<u>\$</u>	<u>9,980,000</u>

As of April 30, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ -	\$ 501,944	\$ 501,944
2026	210,000	494,894	704,894
2027	220,000	480,224	700,224
2028	230,000	464,624	694,624
2029	240,000	448,319	688,319
2030	255,000	431,144	686,144
2031	265,000	413,100	678,100
2032	285,000	394,025	679,025
2033	295,000	375,988	670,988
2034	310,000	359,269	669,269
2035	325,000	343,256	668,256
2036	340,000	328,031	668,031
2037	355,000	312,131	667,131
2038	380,000	295,307	675,307
2039	395,000	277,844	672,844
2040	415,000	259,882	674,882
2041	435,000	241,044	676,044
2042	455,000	221,313	676,313
2043	480,000	200,569	680,569
2044	500,000	178,518	678,518
2045	525,000	155,147	680,147
2046	555,000	130,381	685,381
2047	585,000	103,881	688,881
2048	610,000	75,881	685,881
2049	640,000	46,600	686,600
2050	675,000	15,806	690,806
	<u>\$ 9,980,000</u>	<u>\$ 7,549,122</u>	<u>\$ 17,529,122</u>

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 9 – Property Taxes

On May 11, 2021, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Waller County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, of which \$0.87 was allocated to maintenance and operations, \$0.05 was allocated to debt service, and \$0.58 was allocated to contract tax. The resulting tax levy was \$1,416,706 on the adjusted taxable value of \$94,447,092.

Note 10 – Transfers to Other Governments

Waller County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Waller County, not the District. The estimated cost of each road project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developers are subsequently reimbursed. For the year ended April 30, 2024, the District recorded transfers to other governments in the amount of \$1,229,616 for road facilities constructed by a developer within the District and adjustments to the value of road facilities completed in previous fiscal years.

Note 11 – Master District

On November 17, 2020, (amended effective February 1, 2021) the District entered into a contract for Financing, Operation, and Maintenance of Regional Facilities (the “Contract”) with Harris - Waller Counties MUD No. 4 (the “Master District”) whereby the Master District agrees to provide or cause to be provided the regional water supply and distribution facilities and the wastewater collection, treatment and disposal facilities, drainage, and road facilities necessary to serve all participant districts located within the Master District’s service area. The term of the Contract is 40 years.

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 11 – Master District (continued)

Operating and Maintenance Reserve

The Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the District an amount calculated by multiplying the monthly fee (as defined below) by three in order to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually. As of April 30, 2024, the District has paid \$60,925 for an operating reserve.

Monthly Connection Fees for Operating Expenses

Upon commencement of services, the Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections ("ESFCs") reserved to the District.

Master District Debt

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage, and road facilities needed to provide services to all participating districts in the service area. The District shall contribute annually to the payment of debt service requirements based on its annual pro rata share of the total certified assessed valuation of all participating districts. For the 2023 tax year, the District's pro rata share is 16.39%. The District levied a contract tax rate of \$0.58 per \$100 of assessed valuation to pay for its pro rata share of Master District debt service requirements. As of April 30, 2024, the Master District has \$53,215,000 in contract revenue bonds outstanding.

Summary of Charges

For the fiscal year ended April 30, 2024, the District incurred the following costs pursuant to the Contract with the Master District:

- Monthly connection fees for operating expenses in the amount of \$983,323;
- Monthly charges for mowing expenses in the amount of \$206,956; and
- Contractual obligations for Master District debt service requirements in the amount of \$580,967.

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 13 – Subsequent Event

On August 8, 2024, the District approved the sale of its Series 2024 Unlimited Tax Bonds in the amount of \$11,650,000. Proceeds from the bonds will be used to reimburse the District’s developers for infrastructure improvements in the District.

Additionally, on August 8, 2024, the District approved a preliminary official statement and notice of sale for its Series 2024 Unlimited Tax Road Bonds in the amount of \$7,705,000. The acceptance of bids and award of sale is scheduled for September 12, 2024. Proceeds of the bonds will primarily be used to reimburse developers for amounts currently reported in “Due to developer.”

Required Supplementary Information

Waller County Municipal Utility District No. 37
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 291,384	\$ 291,384	\$ 558,631	\$ 267,247
Sewer service	242,820	242,820	230,410	(12,410)
Property taxes	430,000	812,000	810,359	(1,641)
Penalties and interest	1,000	1,000	23,346	22,346
Tap connection and inspection	594,900	594,900	1,352,314	757,414
Miscellaneous	2,000	2,000	32,506	30,506
Investment earnings			12,124	12,124
Total Revenues	1,562,104	1,944,104	3,019,690	1,075,586
Expenditures				
Current service operations				
Professional fees	136,000	136,000	138,787	(2,787)
Contracted services	439,496	613,496	829,692	(216,196)
Repairs and maintenance	25,000	25,000	220,355	(195,355)
Administrative	25,600	25,600	22,013	3,587
Other	3,000	3,000	101	2,899
Intergovernmental				
Master District connection fees	549,710	549,710	983,323	(433,613)
Maintenance charges	65,319	65,319	206,956	(141,637)
Contractual obligations			42,633	(42,633)
Total Expenditures	1,244,125	1,418,125	2,443,860	(1,025,735)
Revenues Over Expenditures	317,979	525,979	575,830	49,851
Other Financing Sources				
Internal transfers			61,000	61,000
Net Change in Fund Balance	317,979	525,979	636,830	110,851
Fund Balance				
Beginning of the year	116,133	116,133	116,133	
End of the year	\$ 434,112	\$ 642,112	\$ 752,963	\$ 110,851

Waller County Municipal Utility District No. 37
Notes to Required Supplementary Information
April 30, 2024

Budgets and Budgetary Accounting

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 budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Waller County Municipal Utility District No. 37
TSI-1. Services and Rates
April 30, 2024

1. Services provided by the District During the Fiscal Year:

- Retail Water Wholesale Water Solid Waste / Garbage Drainage
 Retail Wastewater Wholesale Wastewater Flood Control Irrigation
 Parks / Recreation Fire Protection Roads Security
 Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
 Other (Specify): _____

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 57.00	10,000	N	\$ 4.30	10,001 to no limit
Wastewater:	\$ 47.50	N/A	Y		

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 57.00 Wastewater \$ 47.50

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	919	907	x 1.0	907
1"			x 2.5	
1.5"			x 5.0	
2"	18	18	x 8.0	144
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	937	925		1,051
Total Wastewater	919	907	x 1.0	907

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-1. Services and Rates
April 30, 2024

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

*Gallons purchased into system:	<u>75,679,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>75,679,000</u>	(Gallons billed / Gallons pumped)
		<u>100.00%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes No

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Waller County

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

*Purchased from Harris - Waller Counties Municipal Utility District No. 4

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-2. General Fund Expenditures
For the Year Ended April 30, 2024

Professional fees	
Legal	\$ 78,758
Audit	13,000
Engineering	47,029
	<u>138,787</u>
Contracted services	
Bookkeeping	24,493
Operator	73,053
Garbage collection	79,749
Tap connection and inspection	619,250
Security	33,147
	<u>829,692</u>
Repairs and maintenance	<u>220,355</u>
Administrative	
Directors fees	8,343
Printing and office supplies	1,520
Insurance	7,098
Other	5,052
	<u>22,013</u>
Other	<u>101</u>
Intergovernmental	
Master District connection fees	983,323
Maintenance charges	206,956
Contractual obligations	42,633
	<u>1,232,912</u>
Total expenditures	<u>\$ 2,443,860</u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 37

TSI-3. Investments

April 30, 2024

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexStar	Variable	N/A	\$ 694,925
Debt Service			
TexStar	Variable	N/A	206,335
TexStar - Road	Variable	N/A	380,136
TexStar - Contract Tax	Variable	N/A	6,267
			<u>592,738</u>
Capital Projects			
TexStar	Variable	N/A	60,914
			<u>60,914</u>
Total - All Funds			<u>\$ 1,348,577</u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-4. Taxes Levied and Receivable
April 30, 2024

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 14	\$ -	\$ -	\$ 14
2023 Original Tax Levy	828,876	47,637	552,584	1,429,097
Adjustments	(7,187)	(413)	(4,791)	(12,391)
Adjusted Tax Levy	821,689	47,224	547,793	1,416,706
Total to be accounted for	821,703	47,224	547,793	1,416,720
Tax collections:				
Current year	810,329	46,572	540,220	1,397,121
Prior years	14			14
Total Collections	810,343	46,572	540,220	1,397,135
Taxes Receivable, End of Year	\$ 11,360	\$ 652	\$ 7,573	\$ 19,585
Taxes Receivable, By Years				
2023	\$ 11,360	\$ 652	\$ 7,573	\$ 19,585
		2023	2022	2021
Property Valuations:				
Land		\$ 77,596,417	\$ 18,351,960	\$ 7,937,030
Improvements		19,572,318		97,060
Personal Property		217,791	306,390	131,898
Exemptions		(2,939,434)	(50,398)	(59,561)
Total Property Valuations		\$ 94,447,092	\$ 18,607,952	\$ 8,106,427
Tax Rates per \$100 Valuation:				
Maintenance tax rates		\$ 0.87	\$ 1.50	\$ 1.50
Debt service tax rates		0.05		
Contract tax rates		0.58		
Total Tax Rates per \$100 Valuation		\$ 1.50	\$ 1.50	\$ 1.50
Adjusted Tax Levy:	\$ 1,416,706	\$ 279,119	\$ 121,596	
Percentage of Taxes Collected to Taxes Levied **		98.62%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 11, 2021

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

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
April 30, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ -	\$ 194,725	\$ 194,725
2026	90,000	192,025	282,025
2027	95,000	186,237	281,237
2028	95,000	180,062	275,062
2029	100,000	173,725	273,725
2030	105,000	167,063	272,063
2031	110,000	160,075	270,075
2032	120,000	152,600	272,600
2033	125,000	144,794	269,794
2034	130,000	136,825	266,825
2035	135,000	130,062	265,062
2036	145,000	124,462	269,462
2037	150,000	118,562	268,562
2038	160,000	112,363	272,363
2039	165,000	105,863	270,863
2040	175,000	99,063	274,063
2041	185,000	91,863	276,863
2042	190,000	84,363	274,363
2043	200,000	76,563	276,563
2044	210,000	68,231	278,231
2045	220,000	59,363	279,363
2046	235,000	49,831	284,831
2047	245,000	39,631	284,631
2048	255,000	29,006	284,006
2049	270,000	17,850	287,850
2050	285,000	6,056	291,056
	<u>\$ 4,195,000</u>	<u>\$ 2,901,263</u>	<u>\$ 7,096,263</u>

See accompanying auditor's report.

*Waller County Municipal Utility District No. 37
 TSI-5. Long-Term Debt Service Requirements
 Series 2023 Road--by Years
 April 30, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ -	\$ 307,219	\$ 307,219
2026	120,000	302,869	422,869
2027	125,000	293,987	418,987
2028	135,000	284,562	419,562
2029	140,000	274,594	414,594
2030	150,000	264,081	414,081
2031	155,000	253,025	408,025
2032	165,000	241,425	406,425
2033	170,000	231,194	401,194
2034	180,000	222,444	402,444
2035	190,000	213,194	403,194
2036	195,000	203,569	398,569
2037	205,000	193,569	398,569
2038	220,000	182,944	402,944
2039	230,000	171,981	401,981
2040	240,000	160,819	400,819
2041	250,000	149,181	399,181
2042	265,000	136,950	401,950
2043	280,000	124,006	404,006
2044	290,000	110,287	400,287
2045	305,000	95,784	400,784
2046	320,000	80,550	400,550
2047	340,000	64,250	404,250
2048	355,000	46,875	401,875
2049	370,000	28,750	398,750
2050	390,000	9,750	399,750
	<u>\$ 5,785,000</u>	<u>\$ 4,647,859</u>	<u>\$ 10,432,859</u>

See accompanying auditor's report.

*Waller County Municipal Utility District No. 37
 TSI-5. Long-Term Debt Service Requirements
 All Bonded Debt Series--by Years
 April 30, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ -	\$ 501,944	\$ 501,944
2026	210,000	494,894	704,894
2027	220,000	480,224	700,224
2028	230,000	464,624	694,624
2029	240,000	448,319	688,319
2030	255,000	431,144	686,144
2031	265,000	413,100	678,100
2032	285,000	394,025	679,025
2033	295,000	375,988	670,988
2034	310,000	359,269	669,269
2035	325,000	343,256	668,256
2036	340,000	328,031	668,031
2037	355,000	312,131	667,131
2038	380,000	295,307	675,307
2039	395,000	277,844	672,844
2040	415,000	259,882	674,882
2041	435,000	241,044	676,044
2042	455,000	221,313	676,313
2043	480,000	200,569	680,569
2044	500,000	178,518	678,518
2045	525,000	155,147	680,147
2046	555,000	130,381	685,381
2047	585,000	103,881	688,881
2048	610,000	75,881	685,881
2049	640,000	46,600	686,600
2050	675,000	15,806	690,806
	<u>\$ 9,980,000</u>	<u>\$ 7,549,122</u>	<u>\$ 17,529,122</u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-6. Change in Long-Term Bonded Debt
April 30, 2024

	Bond Issue		Totals
	Series 2023	Series 2023 Road	
Interest rate	4.00% - 6.50%	4.75% - 7.25%	
Dates interest payable	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/25 - 9/1/49	9/1/25 - 9/1/49	
Beginning bonds outstanding	\$ -	\$ -	\$ -
Bonds issued	4,195,000	5,785,000	9,980,000
Ending bonds outstanding	\$ 4,195,000	\$ 5,785,000	\$ 9,980,000
Interest paid during fiscal year	\$ 106,017	\$ 91,312	\$ 197,329
Paying agent's name and city All Series	Regions Bank, Houston, Texas		
	Water, Sewer and Drainage Bonds	Park and Recreation Facilities Bonds	Road Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 122,760,000	\$ 40,545,000	\$ 117,145,000
Amount Issued	(4,195,000)		(5,785,000)
Remaining To Be Issued	\$ 118,565,000	\$ 40,545,000	\$ 111,360,000
	Water, Sewer and Drainage Refunding Bonds	Park and Recreation Facilities Refunding Bonds	Road Refunding Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 36,828,000	\$ 12,164,000	\$ 35,144,000
Amount Issued			
Remaining To Be Issued	\$ 36,828,000	\$ 12,164,000	\$ 35,144,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of April 30, 2024: \$ 621,243

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 674,197

See accompanying auditor's report.

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Waller County Municipal Utility District No. 37

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Four Fiscal Years

	Amounts			
	2024	2023	2022	2021**
Revenues				
Water service	\$ 558,631	\$ 61,064	\$ -	\$ -
Sewer service	230,410	20,627		
Property taxes	810,359	279,516	121,588	
Penalties and interest	23,346	1,316		
Tap connection and inspection	1,352,314	614,815		
Miscellaneous	32,506	915		
Investment earnings	12,124	459		4
Total Revenues	<u>3,019,690</u>	<u>978,712</u>	<u>121,588</u>	<u>4</u>
Expenditures				
Current service operations				
Professional fees	138,787	180,814	89,435	77,830
Contracted services	829,692	343,083	19,253	2,400
Repairs and maintenance	220,355	20,522		
Administrative	22,013	18,529	19,017	6,877
Other	101	1,404	220	
Intergovernmental				
Master District connection fees	983,323	205,743		
Maintenance charges	206,956	65,516		
Contractual obligations	42,633	31,028		
Total Expenditures	<u>2,443,860</u>	<u>866,639</u>	<u>127,925</u>	<u>87,107</u>
Revenues Over/(Under) Expenditures	<u>\$ 575,830</u>	<u>\$ 112,073</u>	<u>\$ (6,337)</u>	<u>\$ (87,103)</u>
Total Active Retail Water Connections	<u>937</u>	<u>318</u>	<u>N/A</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>919</u>	<u>313</u>	<u>N/A</u>	<u>N/A</u>

*Percentage is negligible

** Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021**
18%	6%		-%
8%	2%		
27%	29%	100%	
1%	*		
45%	63%		
1%	*		
*	*		-
100%	100%	100%	-
5%	18%	74%	-
27%	35%	16%	-
7%	2%		
1%	2%	16%	-
*	*	*	
33%	21%		
7%	7%		
1%	3%		
81%	88%	106%	-
19%	12%	(6%)	-

Waller County Municipal Utility District No. 37

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Current Fiscal Year

	Amounts	Percent of Fund Total Revenues
	2024	2024
Revenues		
Property taxes	\$ 586,776	95%
Penalties and interest	3,281	1%
Investment earnings	26,210	4%
Total Revenues	<u>616,267</u>	<u>100%</u>
Expenditures		
Tax collection services	34,479	6%
Debt service		
Interest and fees	197,448	32%
Intergovernmental		
Contractual obligations	538,334	87%
Total Expenditures	<u>770,261</u>	<u>125%</u>
Revenues Under Expenditures	<u>\$ (153,994)</u>	<u>(25%)</u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2024

Complete District Mailing Address: 3200 Southwest Freeway Suite 2600 Houston, TX 77027
District Business Telephone Number: (713)-860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): September 9, 2022
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Matthew C. Deal	05/22 - 05/26	\$ 1,034	\$ -	President
Mark Witcher	09/22 - 05/26	2,289		Vice President
Brian Welch	05/24 - 05/28	1,255		Assistant Secretary
David Moriniere	05/24 - 05/28	1,626		Assistant Vice President
Leigh Ellis	05/24 - 05/28	2,139		Assistant Secretary
Consultants				
		Amounts Paid		
Allen Boone Humphries Robinson LLP	2020			Attorney
<i>General legal fees</i>		\$ 84,899		
<i>Bond counsel</i>		346,841		
Municipal District Services, LLC	2020	1,005,691		Operator
Myrtle Cruz, Inc.	2020	37,914		Bookkeeper
Bob Leared Interests	2020	18,524		Tax Collector
Waller County Appraisal District	<i>Legislation</i>	12,608		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2020			Delinquent Tax Attorney
Quiddity Engineering, LLC	2020	143,227		Engineer
Kimley-Horn & Associates, Inc.	2020			Landscape Architect
McGrath & Co., PLLC	2020	37,000		Auditor
R.W. Baird & Co., Incorporated	2020	265,023		Financial Advisor


* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.
See accompanying auditor's report.



Harris County Municipal Utility District No. 569 Harris County, Texas

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

May 31, 2023



Harris County Municipal Utility District No. 569
May 31, 2023

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 569
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and general fund of Harris County Municipal Utility District No. 569 (the District), as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the District, as of May 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance

and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

FORVIS,LLP

Houston, Texas
October 12, 2023

Harris County Municipal Utility District No. 569

Management's Discussion and Analysis

May 31, 2023

Overview of the Financial Statements

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

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

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

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

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

Harris County Municipal Utility District No. 569
Management's Discussion and Analysis (Continued)
May 31, 2023

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

Fund Financial Statements

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

Governmental Fund

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

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

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

Notes to Financial Statements

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

Harris County Municipal Utility District No. 569
Management's Discussion and Analysis (Continued)
May 31, 2023

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2023	2022
Current and other assets	\$ 149,489	\$ 13,533
Capital assets	6,469,642	-
Total assets	\$ 6,619,131	\$ 13,533
Long-term liabilities	\$ 10,693,765	\$ 75,000
Other liabilities	127,733	41,200
Total liabilities	10,821,498	116,200
Net position:		
Net investment in capital assets	(4,017,123)	-
Unrestricted	(185,244)	(102,667)
Total net position	\$ (4,202,367)	\$ (102,667)

The total net position of the District decreased by \$4,099,700. The majority of the decrease in net position is related to depreciation expense on the District's capital assets, as well as the conveyance of capital assets to another governmental entity for maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At May 31, 2023, the net investment in capital assets was \$(4,017,123). This amount was negative because not all expenditures from long-term debt were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities, as well as road facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Harris County Municipal Utility District No. 569
Management's Discussion and Analysis (Continued)
May 31, 2023

Summary of Changes in Net Position

	2023	2022
Revenues:		
Property taxes	\$ 68,947	\$ -
Charges for services	26,198	-
Other revenues	154,319	-
Total revenues	249,464	0
Expenses:		
Services	317,707	102,667
Conveyance of capital assets	3,870,086	-
Depreciation	147,037	-
Debt service	14,334	-
Total expenses	4,349,164	102,667
Change in net position	(4,099,700)	(102,667)
Net position, beginning of period	(102,667)	-
Net position, end of period	\$ (4,202,367)	\$ (102,667)

Financial Analysis of the District's Fund

The general fund's fund balance increased by \$49,423, primarily due to tap connections and inspections fees revenues exceeding the related tap connection expenditures.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to contracted services expenditures and developer advances received being less than anticipated and tap connection and inspection fees revenues and related expenditures being greater than anticipated. The fund balance as of May 31, 2023, was expected to be \$(27,167) and the actual end-of-period fund balance was \$21,756.

Harris County Municipal Utility District No. 569
Management's Discussion and Analysis (Continued)
May 31, 2023

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2023	2022
Water facilities	\$ 1,303,316	\$ -
Wastewater facilities	2,306,164	-
Drainage facilities	2,860,162	-
Total capital assets	\$ 6,469,642	\$ 0

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

Water, sewer and drainage facilities to serve Sunterra, Sections 37, 39-40 and 43-44	\$ 6,419,528
Water and sewer facilities to serve Sunterra, Section 41	197,151
Total additions to capital assets	\$ 6,616,679

The developer within the District has constructed water, sewer, drainage, and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if required. As of May 31, 2023, a liability for developer-constructed capital assets of \$10,486,765 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2023, are summarized as follows.

Harris County Municipal Utility District No. 569
Management's Discussion and Analysis (Continued)
May 31, 2023

Long-term debt payable, beginning of year	\$ 75,000	
Increases in long-term debt	10,618,765	
Long-term debt payable, end of year	\$ 10,693,765	

At May 31, 2023, the District had \$241,500,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, \$161,100,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing roads and \$64,600,000 of unlimited tax bonds authorized, but unissued, for the purposes of constructing park and recreational facilities.

Other Relevant Factors

Relationship to the City of Houston

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

Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay future property taxes.

Since inception, the developer has advanced \$207,000 to the District for operations. The District does not have sufficient funds nor anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Contingencies

The developer of the District is constructing facilities on behalf of the District within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction amounts are approximately \$12,470,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Harris County Municipal Utility District No. 569
Statement of Net Position and Governmental Fund Balance Sheet
May 31, 2023

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 129,143	\$ -	\$ 129,143
Service accounts receivable	7,830	-	7,830
Due from others	10,000	-	10,000
Prepaid expenditures	2,516	-	2,516
Capital assets (net of accumulated depreciation):			
Infrastructure	-	6,469,642	6,469,642
Total assets	\$ 149,489	\$ 6,469,642	\$ 6,619,131
Liabilities			
Accounts payable	\$ 61,608	\$ -	\$ 61,608
Customer deposits	45,000	-	45,000
Unearned tap connection fees	21,125	-	21,125
Long-term liabilities, due after one year	-	10,693,765	10,693,765
Total liabilities	127,733	10,693,765	10,821,498
Fund Balance/Net Position			
Fund balance:			
Nonspendable, prepaid expenditures	2,516	(2,516)	-
Unassigned	19,240	(19,240)	-
Total fund balance	21,756	(21,756)	0
Total liabilities and fund balance	\$ 149,489		
Net position:			
Net investment in capital assets		(4,017,123)	(4,017,123)
Unrestricted net position		(185,244)	(185,244)
Total net position		\$ (4,202,367)	\$ (4,202,367)

Harris County Municipal Utility District No. 569
Statement of Activities and Governmental Fund Revenues,
Expenditures and Changes in Fund Balance
Year Ended May 31, 2023

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 68,947	\$ -	\$ 68,947
Water service	13,647	-	13,647
Sewer service	12,551	-	12,551
Penalty and interest	454	-	454
Tap connection and inspection fees	143,865	-	143,865
Other income	10,000	-	10,000
	<hr/>	<hr/>	<hr/>
Total revenues	249,464	0	249,464
	<hr/>	<hr/>	<hr/>
Expenditures/Expenses			
Service operations:			
Purchased services	18,785	-	18,785
Professional fees	136,581	-	136,581
Contracted services	41,073	-	41,073
Repairs and maintenance	49,019	-	49,019
Other expenditures	28,779	-	28,779
Tap connections	43,470	-	43,470
Conveyance of capital assets	-	3,870,086	3,870,086
Depreciation	-	147,037	147,037
Debt service, contractual obligation	14,334	-	14,334
	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	332,041	4,017,123	4,349,164
	<hr/>	<hr/>	<hr/>
Deficiency of Revenues Over Expenditures	(82,577)	(4,017,123)	
Other Financing Sources			
Developer advances received	132,000	(132,000)	
	<hr/>	<hr/>	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	49,423	(49,423)	
Change in Net Position		(4,099,700)	(4,099,700)
Fund Balance (Deficit)/Net Position			
Beginning of year	(27,667)	-	(102,667)
	<hr/>	<hr/>	<hr/>
End of year	\$ 21,756	\$ 0	\$ (4,202,367)
	<hr/>	<hr/>	<hr/>

Harris County Municipal Utility District No. 569

Notes to Financial Statements

May 31, 2023

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

Harris County Municipal Utility District No. 569 (the District), was created by House Bill No. 2671 (the Bill) of the 86th Session of the Texas Legislature of the State of Texas, effective June 10, 2019, in accordance with the provisions of Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and Article XVI, Section 59 of the Constitution of the State of Texas and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, park, road and other facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

Harris County Municipal Utility District No. 569

Notes to Financial Statements

May 31, 2023

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental fund. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental fund:

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

Fund Balance – Governmental Fund

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

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

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

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

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

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

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

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2023

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental fund revenues, expenditures and changes in fund balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental fund to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Pension Costs

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

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2023

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2023, include collections during the current period or within 60 days of year-end related to the 2022 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2023, the 2022 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Harris County Municipal Utility District No. 569

Notes to Financial Statements

May 31, 2023

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

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

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Park and recreational facilities	10-30

Long-term Obligations

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

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

Net Position/Fund Balance

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

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

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2023

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	\$ 6,469,642
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	<u>(10,693,765)</u>
Adjustment to fund balance to arrive at net position.	<u><u>\$ (4,224,123)</u></u>

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

Change in fund balance.	\$ 49,423
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense or conveyed to another governmental entity for ownership and maintenance. This is the amount of conveyed capital assets and depreciation expense in the current year.	(4,017,123)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	<u>(132,000)</u>
Change in net position of governmental activities.	<u><u>\$ (4,099,700)</u></u>

Note 2: Deposits, Investments and Investment Income

Deposits

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

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2023

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

At May 31, 2023, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

At May 31, 2023, the District had no investments.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended May 31, 2023, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, depreciable:			
Water production and distribution facilities	\$ -	\$ 1,332,937	\$ 1,332,937
Wastewater collection and treatment facilities	-	2,358,577	2,358,577
Drainage facilities	-	2,925,165	2,925,165
Total capital assets, depreciable	<u>0</u>	<u>6,616,679</u>	<u>6,616,679</u>

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2023

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Balances, End of Year
Less accumulated depreciation:			
Water production and distribution facilities	\$ -	\$ (29,621)	\$ (29,621)
Wastewater collection and treatment facilities	-	(52,413)	(52,413)
Drainage facilities	-	(65,003)	(65,003)
Total accumulated depreciation	<u>0</u>	<u>(147,037)</u>	<u>(147,037)</u>
Total governmental activities, net	<u>\$ 0</u>	<u>\$ 6,469,642</u>	<u>\$ 6,469,642</u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for year ended May 31, 2023, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Balances, End of Year	Amounts Due in One Year
Due to developer	\$ -	\$ 10,486,765	\$ 10,486,765	\$ -
Due to developer - advances	<u>75,000</u>	<u>132,000</u>	<u>207,000</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 75,000</u>	<u>\$ 10,618,765</u>	<u>\$ 10,693,765</u>	<u>\$ 0</u>

Bonds voted:

Water, sanitary sewer and drainage facilities	\$ 241,500,000
Park and recreational facilities	64,600,000
Road facilities	161,100,000

Refunding bonds voted:

Water, sanitary sewer and drainage facilities	241,500,000
Park and recreational facilities	64,600,000
Road facilities	161,100,000

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2023

Due to Developer

The developer within the District has constructed water, sewer, drainage, and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if required. As of May 31, 2023, a liability for developer-constructed capital assets of \$10,486,765 was recorded in the government-wide financial statements.

Note 5: Maintenance Taxes

At an election held November 2, 2021, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2023, the District levied an ad valorem maintenance tax at the rate of \$1.50 per \$100 of assessed valuation, which resulted in a tax levy of \$68,947 on the taxable valuation of \$4,596,478 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 6: Financing and Operation of Regional Facilities

On August 10, 2021, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the Contract) with Harris-Waller Counties Municipal Utility District No. 4 (the Master District), whereby the Master District agrees to provide, or cause to be provided, the regional water, wastewater, drainage and road facilities necessary to serve all participating districts located within the Master District's service area.

The Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the District to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually.

The Master District is charging each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The term of the Contract is 40 years. For the year ended May 31, 2023, the District incurred \$18,785 in fees related to the Contract.

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts in the Master District's service area. The District shall contribute annually to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. For the year ended May 31, 2023, the District incurred \$14,334 in contractual obligations related to Master District contract revenue bonds.

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2023

Note 7: Risk Management

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

Note 8: Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay future property taxes.

Since inception, the developer has advanced \$207,000 to the District for operations. The District does not have sufficient funds nor anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Note 9: Contingencies

The developer of the District is constructing facilities on behalf of the District within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction amounts are approximately \$12,470,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Required Supplementary Information

Harris County Municipal Utility District No. 569
Budgetary Comparison Schedule – General Fund
Year Ended May 31, 2023

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ -	\$ 66,150	\$ 68,947	\$ 2,797
Water service	-	15,000	13,647	(1,353)
Sewer service	-	12,540	12,551	11
Penalty and interest	-	1,015	454	(561)
Tap connection and inspection fees	-	40,590	143,865	103,275
Other income	-	-	10,000	10,000
Total revenues	<u>0</u>	<u>135,295</u>	<u>249,464</u>	<u>114,169</u>
Expenditures				
Service operations:				
Purchased services	-	30,280	18,785	11,495
Professional fees	130,000	131,500	136,581	(5,081)
Contracted services	20,000	90,612	41,073	49,539
Repairs and maintenance	-	34,189	49,019	(14,830)
Other expenditures	24,800	22,454	28,779	(6,325)
Tap connections	-	11,330	43,470	(32,140)
Debt service, contractual obligation	-	-	14,334	(14,334)
Total expenditures	<u>174,800</u>	<u>320,365</u>	<u>332,041</u>	<u>(11,676)</u>
Deficiency of Revenues Over Expenditures	(174,800)	(185,070)	(82,577)	102,493
Other Financing Sources				
Developer advances received	<u>174,800</u>	<u>185,570</u>	<u>132,000</u>	<u>(53,570)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	500	49,423	48,923
Fund Balance (Deficit), Beginning of Year	<u>(27,667)</u>	<u>(27,667)</u>	<u>(27,667)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u><u>\$ (27,667)</u></u>	<u><u>\$ (27,167)</u></u>	<u><u>\$ 21,756</u></u>	<u><u>\$ 48,923</u></u>

Harris County Municipal Utility District No. 569
Notes to Required Supplementary Information
May 31, 2023

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2023.

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

Supplementary Information

Harris County Municipal Utility District No. 569
Other Schedules Included Within This Report
May 31, 2023

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

- Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 12-21
- Schedule of Services and Rates
- Schedule of General Fund Expenditures
- Schedule of Temporary Investments – Not Applicable
- Analysis of Taxes Levied and Receivable
- Schedule of Long-term Debt Service Requirements by Years – Not Applicable
- Changes in Long-term Bonded Debt – Not Applicable
- Comparative Schedule of Revenues and Expenditures – General Fund
- Board Members, Key Personnel and Consultants

Harris County Municipal Utility District No. 569

Schedule of Services and Rates

Year Ended May 31, 2023

1. Services to be provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input checked="" type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers:

a. Retail rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 57.00	10,000	N	\$ 4.30	10,001 to No Limit
Wastewater:	\$ 47.50	0	Y		

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

Total charges per 10,000 gallons usage (including fees): Water \$ 57.00 Wastewater \$ 47.50

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	111	111	x1.0	111
1"	-	-	x2.5	-
1 1/2"	-	-	x5.0	-
2"	1	1	x8.0	8
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	112	112		119
Total wastewater	111	111	x1.0	111

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

Gallons pumped into the system:	187,000
Gallons billed to customers:	187,000
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 569
Schedule of General Fund Expenditures
Year Ended May 31, 2023

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 11,500	
Legal	101,256	
Engineering	23,825	
Financial advisor	-	
		136,581
Purchased Services for Resale		
Bulk water and wastewater service purchases		18,785
Regional Water Fee		-
Contracted Services		
Bookkeeping	24,025	
General manager	-	
Appraisal district	979	
Tax collector	4,000	
Security	10,396	
Other contracted services	1,673	
		41,073
Utilities		-
Repairs and Maintenance		49,019
Administrative Expenditures		
Directors' fees	7,800	
Office supplies	3,038	
Insurance	3,018	
Other administrative expenditures	14,923	
		28,779
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	-	
		-
Tap Connection Expenditures		43,470
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other		14,334
Total expenditures		\$ 332,041

Harris County Municipal Utility District No. 569
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2023

	Maintenance Taxes
Receivable, Beginning of Year	\$ 0
2022 Original Tax Levy	68,200
Additions and corrections	747
Adjusted tax levy	68,947
Total to be accounted for	68,947
Current year tax collections	(68,947)
Receivable, end of year	\$ 0

Harris County Municipal Utility District No. 569
Analysis of Taxes Levied and Receivable (Continued)
Year Ended May 31, 2023

	2023
Property Valuations	
Land	\$ 8,597,470
Improvements	-
Personal property	-
Exemptions	(4,000,992)
Total property valuations	\$ 4,596,478
 Tax Rates per \$100 Valuation	
Maintenance tax rates*	\$ 1.5000
 Tax Levy	\$ 68,947
 Percent of Taxes Collected to Taxes Levied**	100%

*Maximum tax rate approved by voters: \$1.50 on November 2, 2021

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

Harris County Municipal Utility District No. 569
Comparative Schedule of Revenues and Expenditures – General Fund
Year Ended May 31, 2023, and Period From Inception (June 10, 2019) to May 31, 2022

	<u>Amounts</u>		<u>Percent of Fund Total Revenues</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
General Fund				
Revenues				
Property taxes	\$ 68,947	\$ -	27.6 %	* %
Water service	13,647	-	5.5	*
Sewer service	12,551	-	5.0	*
Penalty and interest	454	-	0.2	*
Tap connection and inspection fees	143,865	-	57.7	*
Other income	10,000	-	4.0	*
Total revenues	<u>249,464</u>	<u>0</u>	<u>100.0</u>	<u>*</u>
Expenditures				
Service operations:				
Purchased services	18,785	-	7.5	*
Professional fees	136,581	66,833	54.8	*
Contracted services	41,073	6,802	16.5	*
Repairs and maintenance	49,019	-	19.7	*
Other expenditures	28,779	29,032	11.5	*
Tap connections	43,470	-	17.4	*
Debt service, contractual obligation	14,334	-	5.7	*
Total expenditures	<u>332,041</u>	<u>102,667</u>	<u>133.1</u>	<u>*</u>
Deficiency of Revenues Over Expenditures	(82,577)	(102,667)	<u>(33.1) %</u>	<u>* %</u>
Other Financing Sources				
Developer advances received	<u>132,000</u>	<u>75,000</u>		
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	49,423	(27,667)		
Fund Balance (Deficit), Beginning of Period	<u>(27,667)</u>	<u>-</u>		
Fund Balance (Deficit), End of Period	<u>\$ 21,756</u>	<u>\$ (27,667)</u>		
Total Active Retail Water Connections	<u>112</u>	<u>0</u>		
Total Active Retail Wastewater Connections	<u>111</u>	<u>0</u>		

*Percentages not meaningful.

Harris County Municipal Utility District No. 569
Board Members, Key Personnel and Consultants
Year Ended May 31, 2023

Complete District mailing address:	Harris County Municipal Utility District No. 569 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		May 9, 2022
Limit on fees of office that a director may receive during a fiscal year:		\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Jason Schultz	Elected 05/22- 05/26	\$ 1,800	\$ 86	President
Nicholas Luton	Elected 11/21- 05/24	1,500	139	Vice President
Blakely Norris	Elected 11/21- 05/24	1,350	0	Secretary
David Jezierski	Elected 05/22- 05/26	1,650	0	Assistant Secretary
Julia Pecina	Elected 11/21- 05/24	1,500	0	Assistant Secretary

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

Harris County Municipal Utility District No. 569
Board Members, Key Personnel and Consultants (Continued)
Year Ended May 31, 2023


Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bob Leared Interests	08/08/22	\$ 6,491	Tax Assessor/ Collector
FORVIS, LLP	06/13/22	12,100	Auditor
Harris Central Appraisal District	Legislative Action	979	Appraiser
Municipal Accounts & Consulting, L.P.	08/03/21	24,874	Bookkeeper
Municipal District Services, L.L.C.	04/11/22	69,623	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	10/10/22	0	Delinquent Tax Attorney
Quiddity Engineering, LLC	08/03/21	23,825	Engineer
Robert W. Baird & Co. Incorporated	08/03/21	0	Financial Advisor
Schwartz, Page & Harding, L.L.P.	08/03/21	110,323	General Counsel
Investment Officers			
Mark Burton and Ghia Lewis	11/15/21	N/A	Bookkeepers



Waller County Municipal Utility District No. 35 Waller County, Texas

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

May 31, 2023



Waller County Municipal Utility District No. 35
May 31, 2023

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Independent Auditor's Report

Board of Directors
Waller County Municipal Utility District No. 35
Waller County, Texas

Opinions

We have audited the financial statements of the governmental activities and general fund of Waller County Municipal Utility District No. 35 (the District), as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the District, as of May 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance

and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

FORVIS, LLP

Houston, Texas
October 11, 2023

Waller County Municipal Utility District No. 35

Management's Discussion and Analysis

May 31, 2023

Overview of the Financial Statements

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

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

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

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

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

Waller County Municipal Utility District No. 35
Management's Discussion and Analysis (Continued)
May 31, 2023

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

Fund Financial Statements

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

Governmental Fund

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

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

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

Notes to Financial Statements

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

Waller County Municipal Utility District No. 35
Management's Discussion and Analysis (Continued)
May 31, 2023

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2023	2022
Current and other assets	\$ 459,564	\$ 6,488
Capital assets	3,203,324	-
Total assets	<u>\$ 3,662,888</u>	<u>\$ 6,488</u>
Long-term liabilities	\$ 8,319,638	\$ 87,000
Other liabilities	201,730	24,873
Total liabilities	<u>8,521,368</u>	<u>111,873</u>
Net position:		
Net investment in capital assets	(5,116,314)	-
Unrestricted	257,834	(105,385)
Total net position	<u>\$ (4,858,480)</u>	<u>\$ (105,385)</u>

The total net position of the District decreased by \$4,753,095. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2023	2022
Revenues:		
Property taxes	\$ 180,151	\$ -
Charges for services	106,737	-
Other revenues	310,936	-
Total revenues	<u>597,824</u>	<u>0</u>
Expenses:		
Services	367,581	105,385
Conveyance of capital assets	4,852,511	-
Depreciation	72,803	-
Contractual obligation	58,024	-
Total expenses	<u>5,350,919</u>	<u>105,385</u>
Change in net position	(4,753,095)	(105,385)
Net position, beginning of period	(105,385)	-
Net position, end of period	<u>\$ (4,858,480)</u>	<u>\$ (105,385)</u>

Waller County Municipal Utility District No. 35
Management's Discussion and Analysis (Continued)
May 31, 2023

Financial Analysis of the District's Fund

The general fund's fund balance increased by \$276,151, due to property taxes and service revenues and developer advances received exceeding service operations expenditures. In addition, tap connection and inspection fees revenues exceeded the related tap connection expenditures.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to sewer service revenue, tap connection and inspection fee revenues and related expenditures and purchased services expenditures being greater than anticipated and contracted services expenditures being less than anticipated. In addition, other income received and contractual obligation expenditures incurred were not included in the budget. The fund balance as of May 31, 2023, was expected to be \$(17,395) and the actual end-of-year fund balance was \$257,766.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2023	2022
Water facilities	\$ 701,361	\$ -
Wastewater facilities	1,089,692	-
Drainage facilities	1,412,271	-
Total capital assets	\$ 3,203,324	\$ 0

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

Water, sewer and drainage facilities to serve Sunterra, Sections 46 and 50	\$ 3,276,127
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Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2023, are summarized as follows.

Waller County Municipal Utility District No. 35
Management's Discussion and Analysis (Continued)
May 31, 2023

Long-term debt payable, beginning of period	\$	87,000
Increases in long-term debt		8,232,638
Long-term debt payable, end of period	\$	8,319,638

At May 31, 2023, the District had \$290,905,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, \$131,600,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing roads and \$64,650,000 of unlimited tax bonds authorized, but unissued, for the purposes of constructing park and recreational facilities.

Developers of the District have constructed water, sewer, drainage and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if applicable. At May 31, 2023, a liability for developer-constructed capital assets of \$8,128,638 was recorded in the government-wide financial statements.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days of the date of annexation.

Contingencies

Developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction amounts are approximately \$3,560,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Economic Dependency

The District's developers own the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developers' ability to pay future property taxes.

As of May 31, 2023, the developers have advanced \$191,000 to the District for operations. The District does not have sufficient funds nor anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Waller County Municipal Utility District No. 35
Statement of Net Position and Governmental Fund Balance Sheet
May 31, 2023

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 429,690	\$ -	\$ 429,690
Receivables:			
Property taxes	68	-	68
Service accounts	17,354	-	17,354
Due from others	9,934	-	9,934
Prepaid expenditures	2,518	-	2,518
Capital assets (net of accumulated depreciation):			
Infrastructure	-	3,203,324	3,203,324
Total assets	<u>\$ 459,564</u>	<u>\$ 3,203,324</u>	<u>\$ 3,662,888</u>
Liabilities			
Accounts payable	\$ 93,260	\$ -	\$ 93,260
Customer deposits	68,450	-	68,450
Unearned tap connection fees	40,020	-	40,020
Long-term liabilities, due after one year	-	8,319,638	8,319,638
Total liabilities	<u>201,730</u>	<u>8,319,638</u>	<u>8,521,368</u>
Deferred Inflows of Resources			
Deferred property tax revenues	68	(68)	0
Fund Balance/Net Position			
Fund balance:			
Nonspendable, prepaid expenditures	2,518	(2,518)	-
Unassigned	255,248	(255,248)	-
Total fund balance	<u>257,766</u>	<u>(257,766)</u>	<u>0</u>
Total liabilities and fund balance	<u>\$ 459,564</u>		
Net position:			
Net investment in capital assets		(5,116,314)	(5,116,314)
Unrestricted		257,834	257,834
Total net position		<u>\$ (4,858,480)</u>	<u>\$ (4,858,480)</u>

Waller County Municipal Utility District No. 35
Statement of Activities and Governmental Fund Revenues,
Expenditures and Changes in Fund Balance
Year Ended May 31, 2023

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 180,083	\$ 68	\$ 180,151
Water service	21,688	-	21,688
Sewer service	75,049	-	75,049
Security service	10,000	-	10,000
Penalty and interest	84	-	84
Tap connection and inspection fees	267,960	-	267,960
Investment income	190	-	190
Other income	42,702	-	42,702
	<u>597,756</u>	<u>68</u>	<u>597,824</u>
Expenditures/Expenses			
Service operations:			
Purchased services	41,658	-	41,658
Professional fees	123,549	-	123,549
Contracted services	36,349	-	36,349
Repairs and maintenance	36,532	-	36,532
Other expenditures	29,393	-	29,393
Tap connections	100,100	-	100,100
Conveyance of capital assets	-	4,852,511	4,852,511
Depreciation	-	72,803	72,803
Debt service, contractual obligation	58,024	-	58,024
	<u>425,605</u>	<u>4,925,314</u>	<u>5,350,919</u>
Excess of Revenues Over Expenditures	172,151	(4,925,246)	
Other Financing Sources			
Developer advances received	104,000	(104,000)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	276,151	(276,151)	
Change in Net Position		(4,753,095)	(4,753,095)
Fund Balance (Deficit)/Net Position			
Beginning of year	(18,385)	-	(105,385)
End of year	<u>\$ 257,766</u>	<u>\$ 0</u>	<u>\$ (4,858,480)</u>

Waller County Municipal Utility District No. 35

Notes to Financial Statements

May 31, 2023

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

Waller County Municipal Utility District No. 35 (the District), was created by House Bill No. 3209 (the Bill) of the 86th Session of the Texas Legislature of the State of Texas, effective June 10, 2019, in accordance with the provisions of Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and Article XVI, Section 59 of the Constitution of the State of Texas and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, park, road and other facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

Waller County Municipal Utility District No. 35

Notes to Financial Statements

May 31, 2023

The fund financial statements provide information about the District's governmental fund. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental fund:

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

Fund Balance – Governmental Fund

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

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

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

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

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

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

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

Waller County Municipal Utility District No. 35
Notes to Financial Statements
May 31, 2023

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental fund revenues, expenditures and changes in fund balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental fund to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Pension Costs

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

Waller County Municipal Utility District No. 35
Notes to Financial Statements
May 31, 2023

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2023, include collections during the current period or within 60 days of year-end related to the 2022 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2023, the 2022 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Waller County Municipal Utility District No. 35

Notes to Financial Statements

May 31, 2023

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

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

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Park and recreational facilities	10-30

Long-term Obligations

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

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

Net Position/Fund Balance

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

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

Waller County Municipal Utility District No. 35
Notes to Financial Statements
May 31, 2023

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	\$ 3,203,324
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	68
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	<u>(8,319,638)</u>
Adjustment to fund balance to arrive at net position.	<u><u>\$ (5,116,246)</u></u>

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

Change in fund balance.	\$ 276,151
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense or conveyed to another governmental entity for ownership and maintenance. This is the amount by which conveyed capital assets exceeded depreciation expense in the current year.	(4,925,314)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	(104,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	<u>68</u>
Change in net position of governmental activities.	<u><u>\$ (4,753,095)</u></u>

Waller County Municipal Utility District No. 35
Notes to Financial Statements
May 31, 2023

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

At May 31, 2023, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

At May 31, 2023, the District had no investments.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended May 31, 2023, is as follows.

Waller County Municipal Utility District No. 35
Notes to Financial Statements
May 31, 2023

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, depreciable:			
Water production and distribution facilities	\$ -	\$ 717,301	\$ 717,301
Wastewater collection and treatment facilities	-	1,114,458	1,114,458
Drainage facilities	-	1,444,368	1,444,368
Total capital assets, depreciable	<u>0</u>	<u>3,276,127</u>	<u>3,276,127</u>
Less accumulated depreciation:			
Water production and distribution facilities	-	(15,940)	(15,940)
Wastewater collection and treatment facilities	-	(24,766)	(24,766)
Drainage facilities	-	(32,097)	(32,097)
Total accumulated depreciation	<u>0</u>	<u>(72,803)</u>	<u>(72,803)</u>
Total governmental activities, net	<u>\$ 0</u>	<u>\$ 3,203,324</u>	<u>\$ 3,203,324</u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended May 31, 2023, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Balances, End of Year	Amounts Due in One Year
Due to developers	\$ -	\$ 8,128,638	\$ 8,128,638	\$ -
Due to developers - advances	<u>87,000</u>	<u>104,000</u>	<u>191,000</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 87,000</u>	<u>\$ 8,232,638</u>	<u>\$ 8,319,638</u>	<u>\$ 0</u>

Bonds voted:

Water, sanitary sewer and drainage facilities	\$ 290,905,000
Park and recreational facilities	64,650,000
Road facilities	131,600,000

Refunding bonds voted:

Water, sanitary sewer and drainage facilities	290,905,000
Park and recreational facilities	64,650,000
Road facilities	131,600,000

Waller County Municipal Utility District No. 35
Notes to Financial Statements
May 31, 2023

Due to Developers

Developers of the District have constructed water, sewer, drainage and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if applicable. At May 31, 2023, a liability for developer-constructed capital assets of \$8,128,638 was recorded in the government-wide financial statements.

Note 5: Maintenance Taxes

At an election held November 2, 2021, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2023, the District levied an ad valorem maintenance tax at the rate of \$1.50 per \$100 of assessed valuation, which resulted in a tax levy of \$180,151 on the taxable valuation of \$12,010,068 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 6: Financing and Operation of Regional Facilities

On August 10, 2021, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the Contract) with Harris-Waller Counties Municipal Utility District No. 4 (the Master District), whereby the Master District agrees to provide, or cause to be provided, the regional water, wastewater, drainage and road facilities necessary to serve all participating districts located within the Master District's service area.

The Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the District to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually.

The Master District is charging each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The term of the Contract is 40 years. For the fiscal year ended May 31, 2023, the District incurred fees in the amount of \$41,658 related to the Contract.

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts in the Master District's service area. The District shall contribute annually to

Waller County Municipal Utility District No. 35
Notes to Financial Statements
May 31, 2023

the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. For the year ended May 31, 2023, the District incurred \$58,024 in contractual obligations related to Master District contract revenue bonds.

Note 7: Risk Management

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

Note 8: Contingencies

Developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction amounts are approximately \$3,560,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 9: Economic Dependency

The District's developers own the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developers' ability to pay future property taxes.

As of May 31, 2023, the developers have advanced \$191,000 to the District for operations. The District does not have sufficient funds nor anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Required Supplementary Information

Waller County Municipal Utility District No. 35
Budgetary Comparison Schedule – General Fund
Year Ended May 31, 2023

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ -	\$ 176,400	\$ 180,083	\$ 3,683
Water service	-	2,740	21,688	18,948
Sewer service	-	3,480	75,049	71,569
Security service	-	-	10,000	10,000
Penalty and interest	-	1,000	84	(916)
Tap connection and inspection fees	-	6,180	267,960	261,780
Investment income	-	-	190	190
Other income	-	-	42,702	42,702
Total revenues	<u>0</u>	<u>189,800</u>	<u>597,756</u>	<u>407,956</u>
Expenditures				
Service operations:				
Purchased services	-	5,500	41,658	(36,158)
Professional fees	130,000	131,500	123,549	7,951
Contracted services	20,000	85,200	36,349	48,851
Repairs and maintenance	-	26,680	36,532	(9,852)
Other expenditures	24,800	23,284	29,393	(6,109)
Tap connections	-	2,060	100,100	(98,040)
Debt service, contractual obligation	-	-	58,024	(58,024)
Total expenditures	<u>174,800</u>	<u>274,224</u>	<u>425,605</u>	<u>(151,381)</u>
Excess (Deficiency) of Revenues Over Expenditures	(174,800)	(84,424)	172,151	256,575
Other Financing Sources				
Developer advances	174,800	85,414	104,000	18,586
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	990	276,151	275,161
Fund Balance (Deficit), Beginning of Year	<u>(18,385)</u>	<u>(18,385)</u>	<u>(18,385)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u><u>\$ (18,385)</u></u>	<u><u>\$ (17,395)</u></u>	<u><u>\$ 257,766</u></u>	<u><u>\$ 275,161</u></u>

Waller County Municipal Utility District No. 35
Notes to Required Supplementary Information
May 31, 2023

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2023.

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

Supplementary Information

Waller County Municipal Utility District No. 35
Other Schedules Included Within This Report
May 31, 2023

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

- Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11-20
- Schedule of Services and Rates
- Schedule of General Fund Expenditures
- Schedule of Temporary Investments – Not Applicable
- Analysis of Taxes Levied and Receivable
- Schedule of Long-term Debt Service Requirements by Years – Not Applicable
- Changes in Long-term Bonded Debt – Not Applicable
- Comparative Schedule of Revenues and Expenditures – General Fund
- Board Members, Key Personnel and Consultants

Waller County Municipal Utility District No. 35

Schedule of Services and Rates

Year Ended May 31, 2023

1. Services to be provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input checked="" type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input checked="" type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers:

a. Retail rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 57.00	10,000	N	\$ 4.30	10,001 to No Limit
Wastewater:	\$ 47.50	0	Y		

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

Total charges per 10,000 gallons usage (including fees): Water \$ 57.00 Wastewater \$ 47.50

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	180	180	x1.0	180
1"	-	-	x2.5	-
1 1/2"	-	-	x5.0	-
2"	-	-	x8.0	-
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	180	180		180
Total wastewater	180	180	x1.0	180

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

Gallons pumped into the system:	175,000
Gallons billed to customers:	175,000
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Waller County Municipal Utility District No. 35
Schedule of General Fund Expenditures
Year Ended May 31, 2023

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 11,500	
Legal	79,471	
Engineering	32,578	
Financial advisor	-	
	-	123,549
Purchased Services for Resale		
Bulk water and wastewater service purchases		41,658
Regional Water Fee		-
Contracted Services		
Bookkeeping	18,196	
General manager	-	
Appraisal district	2,747	
Tax collector	4,000	
Security	10,396	
Other contracted services	1,010	
	1,010	36,349
Utilities		-
Repairs and Maintenance		36,532
Administrative Expenditures		
Directors' fees	6,150	
Office supplies	2,625	
Insurance	3,020	
Other administrative expenditures	17,598	
	17,598	29,393
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	-	
	-	-
Tap Connection Expenditures		100,100
Solid Waste Disposal		-
Fire Fighting		-
Contractual Obligation		58,024
Parks and Recreation		-
Lease Expenditures		-
		-
Total expenditures		\$ 425,605

Waller County Municipal Utility District No. 35
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2023

	Maintenance Taxes
Receivable, Beginning of Year	\$ 0
2022 Original Tax Levy	180,151
Current year tax collections	(180,083)
Receivable, end of year	\$ 68
Receivable, by Year	
2022	\$ 68
	2023
Property Valuations	
Land	\$ 34,232,328
Improvements	-
Personal property	65,120
Exemptions	(22,287,380)
Total property valuations	\$ 12,010,068
Tax Rates per \$100 Valuation	
Maintenance tax rates*	\$ 1.5000
Total tax rates per \$100 valuation	\$ 1.5000
Tax Levy	\$ 180,151
Percent of Taxes Collected to Taxes Levied**	99%

*Maximum tax rate approved by voters: \$1.50 on November 2, 2021

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

Waller County Municipal Utility District No. 35
Comparative Schedule of Revenues and Expenditures – General Fund
Year Ended May 31, 2023, and Period From Inception (June 10, 2019) to May 31, 2022

	<u>Amounts</u>		<u>Percent of Fund Total Revenues</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
General Fund				
Revenues				
Property taxes	\$ 180,083	\$ -	30.2 %	* %
Water service	21,688	-	3.6	*
Sewer service	75,049	-	12.6	*
Security service	10,000	-	1.7	*
Penalty and interest	84	-	0.0	*
Tap connection and inspection fees	267,960	-	44.8	*
Investment income	190	-	0.0	*
Other income	42,702	-	7.1	*
Total revenues	<u>597,756</u>	<u>0</u>	<u>100.0</u>	<u>*</u>
Expenditures				
Service operations:				
Purchased services	41,658	-	7.0	*
Professional fees	123,549	70,833	20.7	*
Contracted services	36,349	7,356	6.1	*
Repairs and maintenance	36,532	-	6.1	*
Other expenditures	29,393	27,196	4.9	*
Tap connections	100,100	-	16.7	*
Debt service, contractual obligation	58,024	-	9.7	*
Total expenditures	<u>425,605</u>	<u>105,385</u>	<u>71.2</u>	<u>*</u>
Excess (Deficiency) of Revenues Over Expenditures	172,151	(105,385)	<u>28.8 %</u>	<u>* %</u>
Other Financing Sources				
Developer advances received	<u>104,000</u>	<u>87,000</u>		
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	276,151	(18,385)		
Fund Balance (Deficit), Beginning of Period	<u>(18,385)</u>	<u>-</u>		
Fund Balance (Deficit), End of Period	<u>\$ 257,766</u>	<u>\$ (18,385)</u>		
Total Active Retail Water Connections	<u>180</u>	<u>N/A</u>		
Total Active Retail Wastewater Connections	<u>180</u>	<u>N/A</u>		

*Percentages not meaningful.

Waller County Municipal Utility District No. 35
Board Members, Key Personnel and Consultants
Year Ended May 31, 2023

Complete District mailing address:	Waller County Municipal Utility District No. 35 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	<u>September 12, 2022</u>
Limit on fees of office that a director may receive during a fiscal year:	<u>\$ 7,200</u>

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Victoria A. Battistini	Elected 11/21- 05/24	\$ 1,650	\$ 391	President
Ryan C. Ward	Elected 11/21- 05/24	1,350	115	Vice President
Jaclyn Day	Elected 05/22- 05/26	600	111	Secretary
Daniel C. Feiler	Elected 11/21- 05/24	1,500	66	Assistant Secretary
Tiffani Walker	Appointed 09/22- 05/26	1,050	180	Assistant Secretary

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

Waller County Municipal Utility District No. 35
Board Members, Key Personnel and Consultants (Continued)
Year Ended May 31, 2023

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bob Leared Interests	08/08/22	\$ 4,000	Tax Assessor/ Collector
FORVIS, LLP	08/08/22	11,500	Auditor
Municipal Accounts & Consulting, L.P.	08/10/21	19,044	Bookkeeper
Municipal District Services, L.L.C.	04/11/22	129,999	Operator
Quiddity Engineering, LLC	08/10/21	32,578	Engineer
Robert W. Baird & Co. Incorporated	08/10/21	0	Financial Advisor
Schwartz, Page & Harding, L.L.P.	08/10/21	90,510	General Counsel
Waller County Appraisal District	Legislative Action	2,747	Appraiser
Investment Officers			
Mark Burton and Ghia Lewis	12/13/21	N/A	Bookkeepers

APPENDIX C

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)