

**HARRIS – WALLER COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 4**

HARRIS AND WALLER COUNTIES, TEXAS

FINANCIAL REPORT

April 30, 2023

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Certified Public Accountants

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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, 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 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, 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. 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.

McGuath & Co, P.C.

Houston, Texas
August 17, 2023

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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, 2023***

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, 2023. 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. 4
Management's Discussion and Analysis
April 30, 2023***

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, 2023, was negative \$22,581,131. 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, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 2,296,359	\$ 155,190
Capital assets	62,025,551	13,788,320
Total assets	<u>64,321,910</u>	<u>13,943,510</u>
Current liabilities	6,694,067	8,347,750
Long-term liabilities	80,208,974	11,136,649
Total liabilities	<u>86,903,041</u>	<u>19,484,399</u>
Net position		
Net investment in capital assets	(5,476,364)	(667,965)
Restricted	1,372,293	
Unrestricted	(18,477,060)	(4,872,924)
Total net position	<u>\$ (22,581,131)</u>	<u>\$ (5,540,889)</u>

***Harris - Waller Counties Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2023***

The total net position of the District decreased during the current fiscal year by \$17,040,242. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 89,549	\$ -
Water and sewer service	3,597	
Participant billings	1,843,990	223,041
Contract taxes from participants	221,002	
Other	48,715	329
Total revenues	<u>2,206,853</u>	<u>223,370</u>
Expenses		
Current service operations	2,103,889	855,309
Debt interest and fees	697,377	40,235
Developer interest	1,216,075	
Debt issuance costs	1,867,403	158,300
Intergovernmental	21,687	
Depreciation/amortization	673,457	124,127
Total expenses	<u>6,579,888</u>	<u>1,177,971</u>
Change in net position before other items	(4,373,035)	(954,601)
Other items		
Transfers to other governments	(12,858,927)	(4,372,466)
Capital contribution	191,720	
Change in net position	(17,040,242)	(5,327,067)
Net position, beginning of year	(5,540,889)	(213,822)
Net position, end of year	<u>\$ (22,581,131)</u>	<u>\$ (5,540,889)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2023, were \$1,799,574, which consists of negative \$237,255 in the General Fund, \$1,372,293 in the Debt Service Fund, \$290,297 in the Master District Capital Projects Fund and \$374,239 in the Master District Operating Fund.

***Harris - Waller Counties Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2023***

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ 67,114</u>	<u>\$ 8,819</u>
Total liabilities	\$ 303,253	\$ 292,966
Total deferred inflows	1,116	
Total fund balance	<u>(237,255)</u>	<u>(284,147)</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 67,114</u>	<u>\$ 8,819</u>

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

	2023	2022
Total revenues	\$ 103,941	\$ -
Total expenditures	<u>(73,649)</u>	<u>(180,325)</u>
Revenues over/(under) expenditures	30,292	(180,325)
Other changes in fund balance	16,600	50,000
Net change in fund balance	<u>\$ 46,892</u>	<u>\$ (130,325)</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, tap connection fees charged to homebuilders in the District and developer advances. 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. The District levied its first maintenance tax during the current year.
- Tap connection fees fluctuate with homebuilding activity within the District.
- Developers in the District advance funds to the District as needed to pay operating costs.

***Harris - Waller Counties Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2023***

Debt Service Fund

The District, in its capacity as a Master 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, 2023 is as follows:

Total assets	<u><u>\$ 1,372,293</u></u>
Total fund balance	<u><u>\$ 1,372,293</u></u>

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

Total revenues	\$ 246,795
Total expenditures	<u>(442,302)</u>
Revenues under expenditures	(195,507)
Other changes in fund balance	<u>1,567,800</u>
Net change in fund balance	<u><u>\$ 1,372,293</u></u>

The District's financial resources in the Debt Service Fund in the current year are from 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.

Master District Capital Projects Fund

A comparative summary of the Master District Capital Projects Fund's financial position as of April 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u><u>\$ 290,297</u></u>	<u><u>\$ 30,241</u></u>
Total fund balance	<u><u>\$ 290,297</u></u>	<u><u>\$ 30,241</u></u>

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 10,275	\$ 329
Total expenditures	<u>(19,201,419)</u>	<u>(7,810,088)</u>
Revenues under expenditures	(19,191,144)	(7,809,759)
Other changes in fund balance	<u>19,451,200</u>	<u>7,840,000</u>
Net change in fund balance	<u><u>\$ 260,056</u></u>	<u><u>\$ 30,241</u></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 2022 Contract Revenue Bonds, Series 2022 Contract Revenue

***Harris - Waller Counties Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2023***

Road Bonds and Series 2022A Bond Anticipation Note in the current year and issuance of its Series 2022 Bond Anticipation Note in the prior year.

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, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ 566,655</u>	<u>\$ 116,130</u>
Total liabilities	\$ 192,416	\$ 99,549
Total fund balance	<u>374,239</u>	<u>16,581</u>
Total liabilities and fund balance	<u>\$ 566,655</u>	<u>\$ 116,130</u>

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

	2023	2022
Total revenues	\$ 1,844,726	\$ 223,041
Total expenditures	<u>(1,678,188)</u>	<u>(206,460)</u>
Revenues over/(under) expenditures	166,538	16,581
Other changes in fund balance	191,120	
Net change in fund balance	<u>\$ 357,658</u>	<u>\$ 16,581</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 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 \$160,618 less than budgeted. The *Budgetary Comparison Schedule* on page 42 of this report provides variance information per financial statement line item.

***Harris - Waller Counties Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2023***

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.

Capital assets held by the District at April 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	\$ 35,492,359	\$ 8,286,756
Capital assets being depreciation/amortization		
Infrastructure	23,458,193	5,135,691
Landscaping improvements	2,458,083	
Water and wastewater capacity	1,424,500	500,000
	<u>27,340,776</u>	<u>5,635,691</u>
Less accumulated depreciation/amortization		
Infrastructure	(635,420)	(114,127)
Landscaping improvements	(122,904)	
Water and wastewater capacity	(49,260)	(20,000)
	<u>(807,584)</u>	<u>(134,127)</u>
Depreciable capital assets, net	<u>26,533,192</u>	<u>5,501,564</u>
Capital assets, net	<u>\$ 62,025,551</u>	<u>\$ 13,788,320</u>

Capital asset additions during the current year include the following:

- Detention and mass grading to serve Sunterra Phases 1A, 1B, 2B, 2B South, 3, 3 North – Pod 5 and 6
- Water, sewer, and drainage facilities to serve Sunterra Shores Segment 4A and Sunterra Shores Drive Street Dedication Section 3 and Reserve
- Water, sewer, and drainage facilities to serve Sunterra Section 23 and Sunterra Shores Drive
- Water, sewer, and drainage facilities to serve Sunterra Collector D Segment 2, Skywater, Aurora Bend, and Pitts
- Water, sewer, and drainage facilities to serve Sunterra Section 17
- Water, sewer, and drainage facilities to serve Stockdick Road Segment 1
- Water, sewer, and drainage facilities to serve Aurora Bend Drive Street Dedication Section 1
- Sunterra Phase 3 pipeline removal and demolition
- Drainage facilities to serve Clay Road South right-of-way
- Hardscape to serve Stockdick Road
- Landscape to serve Sunterra for Bartlett Road
- Land acquisitions

***Harris - Waller Counties Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2023***

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, 2023, capital assets in the amount of \$12,858,927 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, 2023, the District owes approximately \$57,328,974 to developers for completed projects and operating advances. 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 \$25,471,863 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 year, the District, in its capacity as a Master District, issued \$12,480,000 in contract revenue bonds and \$10,400,000 in contract revenue 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, 2022.

As of April 30, 2023, the District, in its capacity as a Master District, had contract revenue bonds of \$597,747,000 authorized, but unissued for the purposes of regional water, sanitary sewer and drainage facilities and \$189,261,000 authorized, but unissued for road improvements.

As of April 30, 2023, 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 recreational 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 \$6,095,000 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.

*Harris - Waller Counties Municipal Utility District No. 4
 Management's Discussion and Analysis
 April 30, 2023*

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>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 103,941	\$ 104,000
Total expenditures	<u>(73,649)</u>	<u>(94,796)</u>
Revenues over expenditures	30,292	9,204
Other changes in fund balance	16,600	
Net change in fund balance	<u>46,892</u>	<u>9,204</u>
Beginning fund balance	<u>(284,147)</u>	<u>(237,255)</u>
Ending fund balance	<u><u>\$ (237,255)</u></u>	<u><u>\$ (228,051)</u></u>

Property Taxes

The District's property tax base decreased approximately \$331,000 for the 2023 tax year from \$5,700,706 to \$5,370,027, as of 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, 2023

	General Fund	Debt Service Fund	Master District Capital Projects Fund	Master District Operating Fund
Assets				
Cash	\$ 26,087	\$ -	\$ 24,614	\$ 229,596
Investments	54,130	1,372,293	326,683	33,520
Taxes receivable	1,116			
Customer service receivables	3,392			
Internal balances	(17,611)		(61,000)	78,611
Due from participants				224,928
Capital assets not being depreciated				
Capital assets, net				
Total Assets	\$ 67,114	\$ 1,372,293	\$ 290,297	\$ 566,655
Liabilities				
Accounts payable	\$ 282,237	\$ -	\$ -	\$ 192,416
Other payables	16			
Customer deposits	21,000			
Accrued interest payable				
Bond anticipation note payable				
Due to developers				
Long-term debt				
Due after one year				
Total Liabilities	303,253			192,416
Deferred Inflows of Resources				
Deferred property taxes	1,116			
Fund Balance/Net Position				
Fund Balance				
Restricted		1,372,293	290,297	
Committed				374,239
Unassigned	(237,255)			
Total Fund Balances	(237,255)	1,372,293	290,297	374,239
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 67,114	\$ 1,372,293	\$ 290,297	\$ 566,655
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 280,297	\$ -	\$ 280,297
1,786,626		1,786,626
1,116		1,116
3,392		3,392
224,928		224,928
	35,492,359	35,492,359
	26,533,192	26,533,192
<u>\$ 2,296,359</u>	<u>62,025,551</u>	<u>64,321,910</u>
\$ 474,653		474,653
16		16
21,000		21,000
	103,398	103,398
	6,095,000	6,095,000
	57,328,974	57,328,974
	22,880,000	22,880,000
<u>495,669</u>	<u>86,407,372</u>	<u>86,903,041</u>
<u>1,116</u>	<u>(1,116)</u>	
1,662,590	(1,662,590)	
374,239	(374,239)	
<u>(237,255)</u>	<u>237,255</u>	
<u>1,799,574</u>	<u>(1,799,574)</u>	
<u>\$ 2,296,359</u>		
	(5,476,364)	(5,476,364)
	1,372,293	1,372,293
	(18,477,060)	(18,477,060)
	<u>\$ (22,581,131)</u>	<u>\$ (22,581,131)</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, 2023

	General Fund	Debt Service Fund	Master District Capital Projects Fund	Master District Operating Fund
Revenues				
Water service	\$ 3,597	\$ -	\$ -	\$ -
Property taxes	85,501			
Penalties and interest	2,932			
Tap connection and inspection	11,330			
Participant billings				1,843,990
Contract taxes from participants		221,002		
Investment earnings	581	25,793	10,275	736
Total Revenues	103,941	246,795	10,275	1,844,726
Expenditures/Expenses				
Current service operations				
Purchased services				999,874
Professional fees	23,668		373,119	213,628
Contracted services	15,975			23,772
Repairs and maintenance				352,827
Regional Water Authority fees				2,212
Administrative	11,777			13,494
Other	542		620	72,381
Capital outlay			15,552,290	
Debt service				
Interest and fees		442,302	191,912	
Developer interest			1,216,075	
Debt issuance costs			1,867,403	
Intergovernmental				
Master District connection fees	9,785			
Contractual obligations	11,902			
Depreciation/amortization				
Total Expenditures/Expenses	73,649	442,302	19,201,419	1,678,188
Revenues Over/(Under)	30,292	(195,507)	(19,191,144)	166,538
Expenditures/Expenses				
Other Financing Sources/(Uses)				
Proceeds from sale of bonds		1,567,800	21,312,200	
Proceeds from bond anticipation note			6,095,000	
Repayment of bond anticipation note			(7,915,000)	
Operating advances	16,000			
Repayment of developer advances			(41,000)	
Internal transfers	600			(600)
Other Items				
Transfers to other governments				
Capital contributions				191,720
Net Change in Fund Balances	46,892	1,372,293	260,056	357,658
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year	(284,147)	-	30,241	16,581
End of the year	\$ (237,255)	\$ 1,372,293	\$ 290,297	\$ 374,239

See notes to basic financial statements.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 3,597	\$ -	\$ 3,597
85,501	1,116	86,617
2,932		2,932
11,330		11,330
1,843,990		1,843,990
221,002		221,002
37,385		37,385
2,205,737	1,116	2,206,853
999,874		999,874
610,415		610,415
39,747		39,747
352,827		352,827
2,212		2,212
25,271		25,271
73,543		73,543
15,552,290	(15,552,290)	
634,214	63,163	697,377
1,216,075		1,216,075
1,867,403		1,867,403
9,785		9,785
11,902		11,902
	673,457	673,457
21,395,558	(14,815,670)	6,579,888
(19,189,821)	14,816,786	(4,373,035)
22,880,000	(22,880,000)	
6,095,000	(6,095,000)	
(7,915,000)	7,915,000	
16,000	(16,000)	
(41,000)	41,000	
	(12,858,927)	(12,858,927)
191,720		191,720
2,036,899	(2,036,899)	
	(17,040,242)	(17,040,242)
(237,325)	(5,303,564)	(5,540,889)
\$ 1,799,574	\$ (24,380,705)	\$ (22,581,131)

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Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2023

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, Chapters 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 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 Master District’s contract revenue bonds. The primary sources 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, 2023, 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.

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2023

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 (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 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 - deficit fund balance 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. 4
Notes to Financial Statements
April 30, 2023

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		\$ 1,799,574
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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		\$62,833,135
Less accumulated depreciation/amortization		<u>(807,584)</u>
Change due to capital assets		62,025,551

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		(22,880,000)
Bond anticipation note payable		(6,095,000)
Interest payable on bonds		<u>(103,398)</u>
Change due to long-term debt		(29,078,398)

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> .		(57,328,974)
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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.		1,116
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Total net position - governmental activities		<u><u>\$(22,581,131)</u></u>
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Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2023

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 \$ 2,036,899

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. 1,116

Governmental funds report capital outlays for developer reimbursements and construction costs 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	\$15,552,290	
Depreciation/amortization expense	(673,457)	
		14,878,833

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	(22,880,000)	
Proceeds from bond anticipation note	(6,095,000)	
Repayment of bond anticipation note	7,915,000	
Interest payable on bonds	(63,163)	
		(21,123,163)

Amounts received from the District's developers for operating advances provide financial resources at the fund level, but are recorded as a liability in the *Statement of Net Position*. (16,000)

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*. 41,000

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 *Statement of Activities*, these amounts are reported as transfers to other governments. (12,858,927)

Change in net position of governmental activities \$(17,040,242)

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2023

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, 2023, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	\$ 54,130		
	Debt Service	1,372,293		
	Master District Capital Projects	326,683		
	Master District Operating	33,520		
Total		<u>\$ 1,786,626</u>	AAAm	18 days

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2023

Note 3 – Deposits and Investments (continued)

TexSTAR

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by Hilltop Securities, Inc., 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.

The District’s investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in TexSTAR is measured using published fair value per share (level 1 inputs).

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, 2023, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General	Master District Capital Projects	\$ 61,000	Bond application fees paid by the General Fund
Master District Operating	General	17,611	Amount owed for participant billings

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, 2023

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2023, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 8,286,756	\$ 27,205,603	\$ 35,492,359
Capital assets being depreciation/amortization			
Infrastructure	5,135,691	18,322,502	23,458,193
Landscaping improvements		2,458,083	2,458,083
Water and wastewater capacity	500,000	924,500	1,424,500
	<u>5,635,691</u>	<u>21,705,085</u>	<u>27,340,776</u>
Less accumulated depreciation/amortization			
Infrastructure	(114,127)	(521,293)	(635,420)
Landscaping improvements		(122,904)	(122,904)
Water and wastewater capacity	(20,000)	(29,260)	(49,260)
	<u>(134,127)</u>	<u>(673,457)</u>	<u>(807,584)</u>
Subtotal depreciable capital assets, net	<u>5,501,564</u>	<u>21,031,628</u>	<u>26,533,192</u>
Capital assets, net	<u>\$ 13,788,320</u>	<u>\$ 48,237,231</u>	<u>\$ 62,025,551</u>

Depreciation/amortization expense for the current year was \$673,457.

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 \$7,915,000. This BAN was repaid on December 20, 2022, with proceeds from the issuance of the District’s Series 2022 Contract Revenue Bonds.

On December 22, 2022, the District, in its capacity as a Master District, issued a \$6,095,000 BAN with an interest rate of 4.80%, which was due on December 16, 2023. This BAN was repaid subsequent to year end. See Note 16 for additional information.

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2023

Note 6 – Bond Anticipation Note (continued)

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

Beginning balance	\$ 7,915,000
Amounts borrowed	6,095,000
Amounts repaid	<u>(7,915,000)</u>
Ending balance	<u><u>\$ 6,095,000</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 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 year are as follows:

Due to developers, beginning of year	\$ 11,136,649
Developer reimbursements	(14,627,790)
Developer funded construction and adjustments	60,845,115
Repayment of operating advances	(41,000)
Operating advances from developer	16,000
Due to developers, end of year	<u><u>\$ 57,328,974</u></u>

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2023

Note 7 – Due to Developers (continued)

In addition, the District will owe the developers approximately \$25,471,863, 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	\$ 2,054,742	88%
Stockdick Road Segment 4 and 5 - utilities and paving	3,430,504	86%
Pitts Road Left Turn Lane	554,155	46%
Sunterra Lift Station No. 1	1,220,629	90%
Sunterra Lift Station No. 2	964,639	62%
Sunterra Lift Station No. 3	1,024,458	27%
Sunterra Lift Station No. 4	1,080,277	88%
Beckendorff Section 3 - utilities	1,104,500	55%
Beckendorff Section 3 - paving	2,820,630	83%
Aurora Bend Section 1 - paving	903,683	88%
Barlett Road Section 2 and 3, Tantara Section 3 and 4, Caymus - utilities	2,634,713	90%
Barlett Road Section 2 and 3, Tantara Section 3 and 4, Caymus - paving	3,929,562	22%
Schlipf Road - paving	936,953	0%
Sunterra Pod M and NN mass grading and detention	1,366,097	0%
Sunterra miscellaneous grading	55,070	0%
Sunterra water plant and wastewater plant fence	417,690	0%
Offsite waterline - trenchless	45,067	0%
Offsite waterline - open cut	65,885	0%
Sunterra Section 23 - paving for driveway	36,026	0%
Stockdick Road South Row - landscape	197,344	86%
Clay Road Phase 2	183,227	0%
4x2 Box Culvert Clay Road, Segment 2	446,012	0%
	<u>\$ 25,471,863</u>	

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 22,880,000</u>
Due within one year	<u>\$ -</u>

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2023

Note 8 – Long-Term Debt (continued)

The District’s bonds payable at April 30, 2023, consists of contract revenue 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
	<u>\$ 22,880,000</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 terms of its bond resolutions.

As of April 30, 2023, the District, in its capacity as a Master District, had contract revenue bonds of \$597,747,000 authorized, but unissued for the purposes of regional water, sanitary sewer and drainage facilities and \$189,261,000 for road improvements.

As of April 30, 2023, 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 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 December 20, 2022, the District, in its capacity as a Master District, issued its \$12,480,000 Series 2022 Contract Revenue Bonds at a net effective interest rate of 5.518057%. 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 \$7,915,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

On December 20, 2022, the District, in its capacity as a Master District, issued its \$10,400,000 Series 2022 Contract Revenue Road Bonds at a net effective interest rate of 5.518413%. 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.

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2023

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		22,880,000
Bonds payable, end of year	<u>\$</u>	<u>22,880,000</u>

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, 2023, annual debt service requirements on bonds outstanding are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ -	\$ 1,215,487	\$ 1,215,487
2025	465,000	1,202,699	1,667,699
2026	485,000	1,176,574	1,661,574
2027	515,000	1,149,075	1,664,075
2028	540,000	1,120,062	1,660,062
2029	570,000	1,089,537	1,659,537
2030	595,000	1,057,500	1,652,500
2031	630,000	1,025,387	1,655,387
2032	660,000	993,137	1,653,137
2033	695,000	959,262	1,654,262
2034	735,000	923,512	1,658,512
2035	770,000	885,888	1,655,888
2036	815,000	846,263	1,661,263
2037	855,000	804,513	1,659,513
2038	900,000	760,638	1,660,638
2039	945,000	714,513	1,659,513
2040	1,000,000	664,638	1,664,638
2041	1,055,000	610,694	1,665,694
2042	1,100,000	554,125	1,654,125
2043	1,165,000	493,213	1,658,213
2044	1,225,000	427,488	1,652,488
2045	1,290,000	358,326	1,648,326
2046	1,355,000	285,588	1,640,588
2047	1,430,000	209,000	1,639,000
2048	1,505,000	128,288	1,633,288
2049	1,580,000	43,450	1,623,450
	<u>\$ 22,880,000</u>	<u>\$ 19,698,857</u>	<u>\$ 42,578,857</u>

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2023

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.

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 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$85,511 on the adjusted taxable value of \$5,700,706.

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, 2023, the District recorded transfers to other governments in the amount of \$12,858,927 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 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, 2023

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, 2023, 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. The term of the Contracts is 40 years. As of April 30, 2023, the Master District billed \$1,843,990 to the participating districts for the operation and maintenance of the regional facilities.

Master District Debt

As of April 30, 2023, the District, in its Master District capacity, is authorized to issue \$597,747,000 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 \$189,261,000 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 \$12,480,000 Series 2022 Contract Revenue Bonds and \$10,400,000 Series 2022 Contract Revenue Road Bonds. For the year ended April 30, 2023, participating districts paid contract taxes in the amount of \$221,002.

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.

Harris - Waller Counties Municipal Utility District No. 4
Notes to Financial Statements
April 30, 2023

Note 12 – Wholesale Agreement (continued)

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, 2023, the District has paid a total of \$1,424,500 for reserved water and wastewater capacity in Quadvest's systems. The term of the Agreement is 50 years.

Note 13 – Cost Sharing Agreements

During the current fiscal year, the District entered into cost sharing agreements with Quadvest whereby Quadvest agreed to contribute a portion of the costs necessary to construct a brick fence at the lift station and water plant site. During the current fiscal year, the District received \$191,720 which is recognized as a capital contribution on the *Statement of Activities*. Upon completion of construction, Quadvest will be responsible for the maintenance of the improvements.

Note 14 – 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 15 – Economic Dependency

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers' willingness to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

Note 16 – Subsequent Event

On July 20, 2023, the District, in its capacity as a Master District, approved the sale of its \$14,250,000 Series 2023 Contract Revenue Bonds at a net effective rate of 4.514081%. Proceeds from the bonds were used to reimburse the District's developers for infrastructure improvements in the District, water and wastewater capacity in the Quadvest's system and to repay a \$6,095,000 BAN issued in the current fiscal year.

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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, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 205,000	\$ 215,000	\$ 3,597	\$ (211,403)
Property taxes	88,500	88,500	85,501	(2,999)
Penalties and interest		500	2,932	2,432
Tap connection and inspection			11,330	11,330
Investment earnings	10	10	581	571
Total Revenues	<u>293,510</u>	<u>304,010</u>	<u>103,941</u>	<u>(200,069)</u>
Expenditures				
Operating and administrative				
Professional fees	129,000	44,000	23,668	20,332
Contracted services	29,200	29,200	15,975	13,225
Utilities	400	400		400
Administrative	15,600	6,100	11,777	(5,677)
Other	1,800	1,800	542	1,258
Intergovernmental				
Master District connection fees	40,000	15,000	9,785	5,215
Contractual obligations			11,902	(11,902)
Total Expenditures	<u>216,000</u>	<u>96,500</u>	<u>73,649</u>	<u>22,851</u>
Revenues Over Expenditures	77,510	207,510	30,292	(177,218)
Other Financing Sources				
Internal transfers			600	600
Operating advances			16,000	16,000
Net Change in Fund Balance	77,510	207,510	46,892	(160,618)
Fund Balance				
Beginning of the year	(284,147)	(284,147)	(284,147)	
End of the year	<u>\$ (206,637)</u>	<u>\$ (76,637)</u>	<u>\$ (237,255)</u>	<u>\$ (160,618)</u>

Harris - Waller Counties Municipal Utility District No. 4
Required Supplementary Information - Budgetary Comparison Schedule - Master District Operating Fund
For the Year Ended April 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Participant billings	\$ 1,554,245	\$ 1,655,287	\$ 1,843,990	\$ 188,703
Investment earnings			736	736
Total Revenues	1,554,245	1,655,287	1,844,726	189,439
Expenditures				
Current service operations				
Purchased services	1,180,325	1,136,016	999,874	136,142
Professional fees	86,000	86,000	213,628	(127,628)
Contracted services	31,500	31,500	23,772	7,728
Repairs and maintenance	234,000	234,000	352,827	(118,827)
Utilities	1,000	1,000		1,000
Regional Water Authority fees		144,472	2,212	142,260
Administrative	7,500	17,000	13,494	3,506
Other	2,300	2,300	72,381	(70,081)
Total Expenditures	1,542,625	1,652,288	1,678,188	(25,900)
Revenues Over/(Under) Expenditures	11,620	2,999	166,538	163,539
Other Financing Sources/(Uses)				
Internal transfers			(600)	(600)
Capital contribution			191,720	191,720
Net Change in Fund Balance	11,620	2,999	357,658	354,659
Fund Balance				
Beginning of the year	16,581	16,581	16,581	
End of the year	\$ 28,201	\$ 19,580	\$ 374,239	\$ 354,659

Harris - Waller Counties Municipal Utility District No. 4
Notes to Required Supplementary Information
April 30, 2023

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 budgets were amended during the year to reflect changes in anticipated revenues and expenditures.

Texas Supplementary Information

Harris - Waller Counties Municipal Utility District No. 4
TSI-1. Services and Rates
April 30, 2023

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"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
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	_____	_____		_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-1. Services and Rates
April 30, 2023

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

Gallons pumped into system:	<u>1,245,000</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>1,245,000</u>	<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, 2023*

Professional fees	
Legal	\$ 21,668
Audit	2,000
	<u>23,668</u>
Contracted services	
Bookkeeping	9,850
Tax assessor collector	5,373
Appraisal District fees	752
	<u>15,975</u>
Administrative	
Directors fees	1,650
Printing and office supplies	5,316
Insurance	3,283
Other	1,528
	<u>11,777</u>
Other	<u>542</u>
Intergovernmental	
Master District connection fees	9,785
Contractual obligations	11,902
	<u>21,687</u>
Total expenditures	<u><u>\$ 73,649</u></u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-3. Investments
April 30, 2023

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	\$ 54,130
Debt Service			
TexSTAR	Variable	N/A	741,074
TexSTAR	Variable	N/A	631,219
			<u>1,372,293</u>
Master District Capital Projects			
TexSTAR	Variable	N/A	5,714
TexSTAR	Variable	N/A	320,969
			<u>326,683</u>
Master District Operating			
TexSTAR	Variable	N/A	33,520
Total - All Funds			<u>\$ 1,786,626</u>

See accompanying auditor's report.

***Harris - Waller Counties Municipal Utility District No. 4
TSI-4. Taxes Levied and Receivable
April 30, 2023***

	Maintenance Taxes
2022 Original Tax Levy	\$ 107,082
Adjustments	(21,571)
Adjusted Tax Levy	<u>85,511</u>
Rollback Taxes	<u>1,106</u>
Tax collections:	
Current year	<u>85,501</u>
Taxes Receivable, End of Year	<u><u>\$ 1,116</u></u>
Taxes Receivable, By Years	
2022	<u><u>\$ 1,116</u></u>
	<u>2022</u>
Property Valuations:	
Land	\$ 5,900,887
Personal Property	195,814
Exemptions	(395,995)
Total Property Valuations	<u><u>\$ 5,700,706</u></u>
Tax Rates per \$100 Valuation:	
Maintenance tax rates	<u><u>\$ 1.50</u></u>
Adjusted Tax Levy:	<u><u>\$ 85,511</u></u>
Percentage of Taxes Collected to Taxes Levied ***	<u><u>98.69%</u></u>

* 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, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due November 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2024	\$ -	\$ 663,000	\$ 663,000
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>\$ 10,743,363</u>	<u>\$ 23,223,363</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, 2023***

<u>Due During Fiscal Years Ending</u>	<u>Principal Due November 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2024	\$ -	\$ 552,487	\$ 552,487
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>\$ 8,955,494</u>	<u>\$ 19,355,494</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, 2023

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2024	\$ -	\$ 1,215,487	\$ 1,215,487
2025	465,000	1,202,699	1,667,699
2026	485,000	1,176,574	1,661,574
2027	515,000	1,149,075	1,664,075
2028	540,000	1,120,062	1,660,062
2029	570,000	1,089,537	1,659,537
2030	595,000	1,057,500	1,652,500
2031	630,000	1,025,387	1,655,387
2032	660,000	993,137	1,653,137
2033	695,000	959,262	1,654,262
2034	735,000	923,512	1,658,512
2035	770,000	885,888	1,655,888
2036	815,000	846,263	1,661,263
2037	855,000	804,513	1,659,513
2038	900,000	760,638	1,660,638
2039	945,000	714,513	1,659,513
2040	1,000,000	664,638	1,664,638
2041	1,055,000	610,694	1,665,694
2042	1,100,000	554,125	1,654,125
2043	1,165,000	493,213	1,658,213
2044	1,225,000	427,488	1,652,488
2045	1,290,000	358,326	1,648,326
2046	1,355,000	285,588	1,640,588
2047	1,430,000	209,000	1,639,000
2048	1,505,000	128,288	1,633,288
2049	1,580,000	43,450	1,623,450
	<u>\$ 22,880,000</u>	<u>\$ 19,698,857</u>	<u>\$ 42,578,857</u>

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-6. Change in Long-Term Bonded Debt
April 30, 2023

	Bond Issue		Totals
	Series 2022	Series 2022 Road	
Interest rate	5.00% - 5.50%	5.00% - 5.50%	
Dates interest payable	11/1; 5/1	11/1; 5/1	
Maturity dates	11/1/24 - 11/1/48	11/1/24 - 11/1/48	
Beginning bonds outstanding	\$ -	\$ -	\$ -
Bonds issued	12,480,000	10,400,000	22,880,000
Ending bonds outstanding	\$ 12,480,000	\$ 10,400,000	\$ 22,880,000
Interest paid during fiscal year	\$ 241,258	\$ 201,044	\$ 442,302
Paying agent's name and city All 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	(12,480,000)	(10,400,000)	
Remaining To Be Issued	\$ 597,747,000	\$ 189,261,000	

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

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

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

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, 2023:	\$ 1,372,293
Average annual debt service payment (principal and interest) for remaining term of all debt:	\$ 1,637,648

See accompanying auditor's report.

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

	Amounts		
	2023	2022	2021
Revenues			
Water service	\$ 3,597	\$ -	\$ -
Property taxes	85,501		
Penalties and interest	2,932		
Tap connection and inspection	11,330		
Investment earnings	581		8
Total Revenues	<u>103,941</u>		<u>8</u>
Expenditures			
Operating and administrative			
Purchased services		684	
Professional fees	23,668	156,841	183,508
Contracted services	15,975	6,680	6,400
Administrative	11,777	13,091	12,574
Other	542	3,029	1,348
Intergovernmental			
Master District connection fees	9,785		
Contractual obligations	11,902		
Total Expenditures	<u>73,649</u>	<u>180,325</u>	<u>203,830</u>
Revenues Over/(Under) Expenditures	<u>\$ 30,292</u>	<u>\$ (180,325)</u>	<u>\$ (203,822)</u>
Total Active Retail Water Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying auditor's report.

Percent of Fund Total Revenues		
2023	2022	2021
3%		
82%		
3%		
11%		
1%		-
100%		-
	-	
23%	-	-
15%	-	-
11%	-	-
1%	-	-
9%		
11%		
70%	-	-
30%	-	-

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

	Amounts	Percent of Fund Total Revenues
	<u>2023</u>	<u>2023</u>
Revenues		
Contract tax from participants	\$ 221,002	90%
Investment earnings	25,793	10%
Total Revenues	<u>246,795</u>	<u>100%</u>
Expenditures		
Debt service		
Interest and fees	<u>442,302</u>	<u>179%</u>
Revenues Under Expenditures	<u>\$ (195,507)</u>	<u>(79%)</u>

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, 2023***

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	11/20 - 05/24	\$ 1,950	\$ 42	President
Erica Tabrizi	11/20 - 05/24	900	25	Vice President
Ruth Delaunay	11/20 - 05/24	2,400	62	Secretary
Sabrina Alaquinez	05/22 - 05/26	1,350		Assistant Vice President
Way Denkler	05/22 - 05/26	1,650	1,591	Assistant Secretary
Consultants				
Allen Boone Humphries Robinson LLP	2020			Attorney
<i>General legal fees</i>		\$ 246,649		
<i>Bond counsel</i>		556,632		
Municipal District Services	2020	95,524		Operator
Myrtle Cruz, Inc.	2020	34,736		Bookkeeper
Bob Leared Interests	2020	4,578		Tax Collector
Waller County Appraisal District	Legislation	592		Property Valuation
Harris Central Appraisal District	Legislation	159		Property Valuation
Quiddity Engineering, LLC	2020	136,075		Engineer
Kimley-Horn & Associates, Inc.	2020			Landscape Architect
McGrath & Co., PLLC	2020	24,250		Auditor
R.W. Baird & Co., Inc.	2020	520,309		Financial Advisor

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