

**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*

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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	<u>21,607,835</u>	<u>13,422,061</u>
Current liabilities	6,907,276	2,427,780
Long-term liabilities	27,102,426	20,064,040
Total liabilities	<u>34,009,702</u>	<u>22,491,820</u>
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	<u>\$ (12,401,867)</u>	<u>\$ (9,069,759)</u>

***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
<b>Assets</b>						
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
<b>Total Assets</b>	<b>\$ 1,327,307</b>	<b>\$ 609,302</b>	<b>\$ 9,938</b>	<b>\$ 1,946,547</b>	<b>19,661,288</b>	<b>21,607,835</b>
<b>Liabilities</b>						
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
<b>Total Liabilities</b>	<b>562,984</b>			<b>562,984</b>	<b>33,446,718</b>	<b>34,009,702</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	11,360	10,380		21,740	(21,740)	
<b>Fund Balance/Net Position</b>						
<b>Fund Balance</b>						
Nonspendable	2,012			2,012	(2,012)	
Restricted		598,922	9,938	608,860	(608,860)	
Unassigned	750,951			750,951	(750,951)	
<b>Total Fund Balances</b>	<b>752,963</b>	<b>598,922</b>	<b>9,938</b>	<b>1,361,823</b>	<b>(1,361,823)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,327,307</b>	<b>\$ 609,302</b>	<b>\$ 9,938</b>	<b>\$ 1,946,547</b>		
<b>Net Position</b>						
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)
<b>Total Net Position</b>					<b>\$ (12,401,867)</b>	<b>\$ (12,401,867)</b>

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
<b>Revenues</b>						
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
<b>Total Revenues</b>	<b>3,019,690</b>	<b>616,267</b>	<b>5,995</b>	<b>3,641,952</b>	<b>21,725</b>	<b>3,663,677</b>
<b>Expenditures/Expenses</b>						
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
<b>Total Expenditures/Expenses</b>	<b>2,443,860</b>	<b>770,261</b>	<b>13,146,634</b>	<b>16,360,755</b>	<b>(10,594,586)</b>	<b>5,766,169</b>
<b>Revenues Over/(Under) Expenditures/Expenses</b>	<b>575,830</b>	<b>(153,994)</b>	<b>(13,140,639)</b>	<b>(12,718,803)</b>	<b>10,616,311</b>	<b>(2,102,492)</b>
<b>Other Financing Sources/(Uses)</b>						
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	
<b>Other Item</b>						
Transfers to other governments					(1,229,616)	(1,229,616)
<b>Net Change in Fund Balance</b>	<b>636,830</b>	<b>598,922</b>	<b>(8,305)</b>	<b>1,227,447</b>	<b>(1,227,447)</b>	
<b>Change in Net Position</b>					<b>(3,332,108)</b>	<b>(3,332,108)</b>
Fund Balance/Net Position						
Beginning of the year	116,133		18,243	134,376	(9,204,135)	(9,069,759)
<b>End of the year</b>	<b>\$ 752,963</b>	<b>\$ 598,922</b>	<b>\$ 9,938</b>	<b>\$ 1,361,823</b>	<b>\$ (13,763,690)</b>	<b>\$ (12,401,867)</b>

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, 86<sup>th</sup> 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)	
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### **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	338,642	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)
<b>Revenues</b>				
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
<b>Total Revenues</b>	<b>1,562,104</b>	<b>1,944,104</b>	<b>3,019,690</b>	<b>1,075,586</b>
<b>Expenditures</b>				
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)
<b>Total Expenditures</b>	<b>1,244,125</b>	<b>1,418,125</b>	<b>2,443,860</b>	<b>(1,025,735)</b>
<b>Revenues Over Expenditures</b>	<b>317,979</b>	<b>525,979</b>	<b>575,830</b>	<b>49,851</b>
<b>Other Financing Sources</b>				
Internal transfers			61,000	61,000
<b>Net Change in Fund Balance</b>	<b>317,979</b>	<b>525,979</b>	<b>636,830</b>	<b>110,851</b>
<b>Fund Balance</b>				
Beginning of the year	116,133	116,133	116,133	
<b>End of the year</b>	<b>\$ 434,112</b>	<b>\$ 642,112</b>	<b>\$ 752,963</b>	<b>\$ 110,851</b>



*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*

<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	\$ -	\$ 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
<b>Board Members</b>				
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
<b>Consultants</b>				
		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.