

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2024

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 439
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 439 (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 the District as of April 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Harris County Municipal
Utility District No. 439

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

August 8, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024

Management's discussion and analysis of Harris County Municipal Utility District No. 439's (the "District") financial performance provides an overview of the District's financial activities for the year ended April 30, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities reports how the District's net position changed during the year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for property tax revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$1,466,580 as of April 30, 2024. The District is an in-City district as described in Notes 6 and 8.

A portion of the District's net position reflects its net investment in capital assets (detention pond and intangible assets less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 802,654	\$ 784,504	\$ 18,150
Capital Assets (Net of Accumulated Depreciation)	9,958,928	3,853,649	6,105,279
Intangible Assets (Net of Accumulated Amortization)	10,703,247	5,628,876	5,074,371
Total Assets	<u>\$ 21,464,829</u>	<u>\$ 10,267,029</u>	<u>\$ 11,197,800</u>
Due to Developer	\$ 20,194,991	\$ 8,505,810	\$ (11,689,181)
Long -Term Liabilities	2,637,743	2,687,111	49,368
Other Liabilities	98,675	174,840	76,165
Total Liabilities	<u>\$ 22,931,409</u>	<u>\$ 11,367,761</u>	<u>\$ (11,563,648)</u>
Net Position:			
Net Investment in Capital Assets	\$ (1,856,242)	\$ (1,390,359)	\$ (465,883)
Restricted	184,949	155,058	29,891
Unrestricted	204,713	134,569	70,144
Total Net Position	<u>\$ (1,466,580)</u>	<u>\$ (1,100,732)</u>	<u>\$ (365,848)</u>

The following table provides a comparative analysis of the District's operations for the year ended April 30, 2024, and April 30, 2023. The District's net position decreased by \$365,848.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 504,729	\$ 313,641	\$ 191,088
Other Revenues	39,775	25,116	14,659
Total Revenues	<u>\$ 544,504</u>	<u>\$ 338,757</u>	<u>\$ 205,747</u>
Expenses for Services	<u>910,352</u>	<u>482,800</u>	<u>(427,552)</u>
Change in Net Position	\$ (365,848)	\$ (144,043)	\$ (221,805)
Net Position, Beginning of Year	<u>(1,100,732)</u>	<u>(956,689)</u>	<u>(144,043)</u>
Net Position, End of Year	<u>\$ (1,466,580)</u>	<u>\$ (1,100,732)</u>	<u>\$ (365,848)</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of April 30, 2024, were \$741,864, an increase of \$75,263 from the prior year.

The District's General Fund fund balance increased by \$53,889, primarily due to property tax revenues exceeding operating costs and capital outlay.

The Debt Service Fund fund balance increased by \$22,094, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund decreased by \$720, due to costs exceeding interest revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$160,109 more than budgeted revenues, actual expenditures were \$160,425 more than budgeted expenditures and actual developer contributions were \$36,802 more than budgeted, which resulted in a positive variance of \$36,486. See the budget to actual comparison for more information.

CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets as of April 30, 2024, total \$9,958,928 and include detention facilities which the District is responsible for maintaining. Additional information on the District's capital assets can be found in Note 6.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	\$	\$ 560,815	\$ (560,815)
Capital Assets, Net of Accumulated Depreciation:			
Detention Facilities	<u>9,958,928</u>	<u>3,292,834</u>	<u>6,666,094</u>
Total Net Capital Assets	<u>\$ 9,958,928</u>	<u>\$ 3,853,649</u>	<u>\$ 6,105,279</u>

Intangible assets as of April 30, 2024 total \$10,703,247 (net of accumulated amortization). These intangible assets include right to receive water and wastewater service. Additional information on the District's intangible assets can be found in Note 6.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024

CAPITAL ASSETS AND INTANGIBLE ASSETS (Continued)

Intangible Assets At Year-End, Net of Accumulated Amortization			
	2024	2023	Change Positive (Negative)
Right to receive service	\$ 11,450,474	\$ 6,094,217	\$ (5,356,257)
Less: Accumulated Amortization	<u>747,227</u>	<u>465,341</u>	<u>(281,886)</u>
Total Net Intangible Assets	<u>\$ 10,703,247</u>	<u>\$ 5,628,876</u>	<u>\$ 5,074,371</u>

The District is located within the city limits of the City of Houston (the "City"). In accordance with a Utility Functions and Services Allocation Agreement with the City, all water and wastewater facilities and certain storm water facilities are conveyed to the City once constructed and placed in service. The City operates the facilities and is responsible for the maintenance. To date, utilities in Wayside Village, Sections 1, 2, 4, 6, 9, 11, 12 and 13 have been constructed and conveyed to the City.

LONG-TERM DEBT ACTIVITY

As of April 30, 2024, the District had total bond debt payable in the principal amount of \$2,705,000. The changes in the debt position of the District during the fiscal year ended April 30, 2024, are summarized as follows:

Bond Debt Payable, May 1, 2023	\$ 2,750,000
Less: Bond Principal Paid	<u>45,000</u>
Bond Debt Payable, April 30, 2024	<u>\$ 2,705,000</u>

The District's Series 2021 bonds are noted rated or insured.

The District has recorded a liability to the Developer of \$20,194,991 for costs paid by the Developer including the construction of District facilities in Wayside Village, Sections 1, 2, 4, 6, 9, 11, 12 and 13 and operating advances.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 439, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
APRIL 30, 2024

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 645	\$ 33,137
Investments	353,265	187,000
Receivables:		
Property Taxes	20,529	8,873
Penalty and Interest on Delinquent Taxes		
Due from Other Funds	25,279	5,000
Prepaid Costs	4,312	
Capital Assets (Net of Accumulated Depreciation)		
Intangible Assets (Net of Accumulated Amortization)		
TOTAL ASSETS	<u>\$ 404,030</u>	<u>\$ 234,010</u>
LIABILITIES		
Accounts Payable	\$ 22,599	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	5,000	25,279
Due to Taxpayers		1,913
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 27,599</u>	<u>\$ 27,192</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 20,529	\$ 8,873
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 4,312	\$
Restricted for Authorized Construction		
Restricted for Debt Service		197,945
Unassigned	351,590	
TOTAL FUND BALANCES	<u>\$ 355,902</u>	<u>\$ 197,945</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 404,030</u>	<u>\$ 234,010</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 622	\$ 34,404	\$	\$ 34,404
189,689	729,954		729,954
	29,402		29,402
		4,582	4,582
	30,279	(30,279)	
	4,312		4,312
		9,958,928	9,958,928
		10,703,247	10,703,247
<u>\$ 190,311</u>	<u>\$ 828,351</u>	<u>\$ 20,636,478</u>	<u>\$ 21,464,829</u>
\$ 2,294	\$ 24,893	\$	\$ 24,893
		21,869	21,869
		20,194,991	20,194,991
	30,279	(30,279)	
	1,913		1,913
		50,000	50,000
		2,637,743	2,637,743
<u>\$ 2,294</u>	<u>\$ 57,085</u>	<u>\$ 22,874,324</u>	<u>\$ 22,931,409</u>
<u>\$ -0-</u>	<u>\$ 29,402</u>	<u>\$ (29,402)</u>	<u>\$ -0-</u>
\$	\$ 4,312	\$ (4,312)	\$
188,017	188,017	(188,017)	
	197,945	(197,945)	
	351,590	(351,590)	
<u>\$ 188,017</u>	<u>\$ 741,864</u>	<u>\$ (741,864)</u>	<u>\$ -0-</u>
<u>\$ 190,311</u>	<u>\$ 828,351</u>		
		\$ (1,856,242)	\$ (1,856,242)
		184,949	184,949
		204,713	204,713
		<u>\$ (1,466,580)</u>	<u>\$ (1,466,580)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
APRIL 30, 2024

Total Fund Balances - Governmental Funds	\$	741,864
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		20,662,175
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.		33,984
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (20,194,991)	
Accrued Interest Payable	(21,869)	
Bonds Payable Within One Year	(50,000)	
Bonds Payable After One Year	<u>(2,637,743)</u>	<u>(22,904,603)</u>
Total Net Position - Governmental Activities	\$	<u><u>(1,466,580)</u></u>

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2024

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 333,007	\$ 150,367
Penalty and Interest		5,348
Investment Revenues	13,985	7,820
Miscellaneous Revenues		40
TOTAL REVENUES	<u>\$ 346,992</u>	<u>\$ 163,575</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 111,127	\$ 1,251
Contracted Services	22,085	14,384
Repairs and Maintenance	109,226	
Depreciation/Amortization		
Other	22,665	4,026
Capital Outlay	36,802	
Debt Service:		
Bond Principal		45,000
Bond Interest		76,820
Bond Issuance Costs	28,000	
TOTAL EXPENDITURES/EXPENSES	<u>\$ 329,905</u>	<u>\$ 141,481</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 17,087</u>	<u>\$ 22,094</u>
OTHER FINANCING SOURCES (USES)		
Developer Contributions	\$ 36,802	\$
NET CHANGE IN FUND BALANCES	\$ 53,889	\$ 22,094
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MAY 1, 2023	<u>302,013</u>	<u>175,851</u>
FUND BALANCES/NET POSITION - APRIL 30, 2024	<u>\$ 355,902</u>	<u>\$ 197,945</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 483,374	\$ 21,355	\$ 504,729
	5,348	2,310	7,658
10,272	32,077		32,077
	40		40
<u>\$ 10,272</u>	<u>\$ 520,839</u>	<u>\$ 23,665</u>	<u>\$ 544,504</u>
\$ 10,537	\$ 122,915	\$	\$ 122,915
	36,469		36,469
	109,226		109,226
		509,531	509,531
455	27,146		27,146
	36,802	(36,802)	
	45,000	(45,000)	
	76,820	245	77,065
	28,000		28,000
<u>\$ 10,992</u>	<u>\$ 482,378</u>	<u>\$ 427,974</u>	<u>\$ 910,352</u>
<u>\$ (720)</u>	<u>\$ 38,461</u>	<u>\$ (404,309)</u>	<u>\$ (365,848)</u>
<u>\$</u>	<u>\$ 36,802</u>	<u>\$ (36,802)</u>	<u>\$</u>
\$ (720)	\$ 75,263	\$ (75,263)	\$
		(365,848)	(365,848)
<u>188,737</u>	<u>666,601</u>	<u>(1,767,333)</u>	<u>(1,100,732)</u>
<u>\$ 188,017</u>	<u>\$ 741,864</u>	<u>\$ (2,208,444)</u>	<u>\$ (1,466,580)</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2024**

Net Change in Fund Balances - Governmental Funds	\$ 75,263
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	21,355
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	2,310
Governmental funds do not account for depreciation or amortization. However, in the Statement of Net Position, capital assets are depreciated, intangible assets are amortized, and depreciation and amortization expense is recorded in the Statement of Activities.	(509,531)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	36,802
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	45,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(245)
Governmental funds report developer contributions as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.	(36,802)
Change in Net Position - Governmental Activities	<u>\$ (365,848)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 439 (the “District”) was created effective February 14, 2006 by an order of the Texas Commission on Environmental Quality, (the “Commission”). The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater, drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District held its first meeting on March 7, 2006, and the first bonds were sold on November 16, 2021.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, operating costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of April 30, 2024, the Debt Service Fund owes the General Fund \$25,279 for maintenance tax revenues and the General Fund owes the Debt Service Fund \$5,000 for an erroneous tax transfer.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Intangible assets, consisting of rights to receive water and wastewater service, are reported in the government-wide Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to the City and amortized over the term of the applicable service contract, which is 50 years from the execution date of the contract.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Detention facilities are depreciated over periods ranging from 10 to 45 years.

Budgeting

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll tax purposes only.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District does not have an assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. LONG-TERM DEBT

	<u>Series 2021</u>
Amount Outstanding – April 30, 2024	\$ 2,705,000
Interest Rates	2.00% - 3.00%
Maturity Date	September 1, 2024/2051
Interest Payment Dates	September 1/ March 1
Callable Dates	September 1, 2026*

- * Or on any date thereafter, at par plus unpaid accrued interest to the date of redemption, in whole or in part, at the option of the District. Series 2021 term bonds due September 1, 2042, September 1, 2046, and September 1, 2051 are subject to mandatory redemption by random selection beginning September 1, 2039, September 1, 2043, and September 1, 2047, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities for the year ended April 30, 2024:

	May 1, 2023	Additions	Retirements	April 30, 2024
Bonds Payable	\$ 2,750,000	\$	\$ 45,000	\$ 2,705,000
Unamortized Discounts	(29,389)		(1,039)	(28,350)
Unamortized Premiums	11,500		407	11,093
Total Long-Term Liabilities	<u>\$ 2,732,111</u>	<u>\$ -0-</u>	<u>\$ 44,368</u>	<u>\$ 2,687,743</u>
Amount Due Within One Year				\$ 50,000
Amount Due After One Year				<u>2,637,743</u>
Total Long-Term Liabilities				<u>\$ 2,687,743</u>

As of April 30, 2024, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 50,000	\$ 75,395	\$ 125,395
2026	50,000	73,895	123,895
2027	55,000	72,320	127,320
2028	55,000	70,945	125,945
2029	60,000	69,795	129,795
2030-2034	335,000	328,907	663,907
2035-2039	415,000	282,620	697,620
2040-2044	530,000	214,800	744,800
2045-2049	675,000	124,125	799,125
2050-2052	480,000	21,900	501,900
	<u>\$ 2,705,000</u>	<u>\$ 1,334,702</u>	<u>\$ 4,039,702</u>

At an election within the District on May 13, 2006, voters approved the issuance of water and sewer bonds up to a maximum of \$41,000,000 and refunding bonds up to a maximum of \$26,000,000. As of April 30, 2024, the District had authorized but unissued bonds in the amount of \$38,250,000 for utility facilities and \$26,000,000 for refunding.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended April 30, 2024, the District levied an ad valorem debt service tax rate of \$0.25 per \$100 of taxable valuation, which resulted in a tax levy of \$157,604 on the adjusted taxable valuation of \$63,041,827 for the 2023 tax year. The bond resolution requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the 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.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond resolution states that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$34,404 and the bank balance was \$31,901. The District was not exposed to custodial credit risk at fiscal year-end.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at April 30, 2024, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 645
DEBT SERVICE FUND	33,137
CAPITAL PROJECTS FUND	<u>622</u>
TOTAL DEPOSITS	<u>\$ 34,404</u>

Investments

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of April 30, 2024, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 353,265	\$ 353,265
<u>DEBT SERVICE FUND</u>		
Texas CLASS	187,000	187,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>189,689</u>	<u>189,689</u>
TOTAL INVESTMENTS	<u>\$ 729,954</u>	<u>\$ 729,954</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At April 30, 2024, the District's investments in Texas CLASS was rated "AAAm" by Standard & Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2024

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

As of April 30, 2024, the District had the following capital assets:

	May 1, 2023	Increases	Decreases	April 30, 2024
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 560,815	\$ 36,802	\$ 597,617	\$ - 0 -
Capital Assets Subject to Depreciation				
Detention Facilities	\$ 3,374,572	\$ 6,893,739	\$ - 0 -	\$ 10,268,311
Accumulated Depreciation				
Detention Facilities	\$ 81,738	\$ 227,645	\$ - 0 -	\$ 309,383
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 3,292,834	\$ 6,666,094	\$ - 0 -	\$ 9,958,928
Total Capital Assets, Net of Accumulated Depreciation	\$ 3,853,649	\$ 6,702,896	\$ 597,617	\$ 9,958,928

In accordance with a Utility Functions and Services Allocation Agreement (see Note 8), the water, wastewater and certain storm water capital assets constructed by the District's Developer, for which the District has recorded a liability in the Statement of Net Position, have been conveyed to the City of Houston for operations and maintenance. As a result of the conveyance of these assets, the City can agree to provide water and wastewater services to the District, contingent upon customer payment for those services, which becomes an intangible asset of the District. As of April 30, 2024, the District had the following intangible assets:

	May 1, 2023	Increases	Decreases	April 30, 2024
Intangible Assets Subject to Amortization				
Right to receive service	\$ 6,094,217	\$ 5,356,257	\$ - 0 -	\$ 11,450,474
Accumulated Amortization				
Right to receive service	\$ 465,341	\$ 281,886	\$ - 0 -	\$ 747,227
Total Intangible Assets, Net of Accumulated Amortization	\$ 5,628,876	\$ 5,074,371	\$ - 0 -	\$ 10,703,247

NOTE 7. MAINTENANCE TAX

On May 13, 2006, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended April 30, 2024, the District levied an ad valorem maintenance tax rate of \$0.55 per \$100 of assessed valuation, which resulted in a tax levy of \$346,730 on the adjusted taxable valuation of \$63,041,827 for the 2023 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 8. UTILITY FUNCTIONS AND SERVICES ALLOCATION AGREEMENT

On October 12, 2006, the District assumed the responsibility for a Utility Functions and Services Allocation Agreement (the "Agreement") previously executed by a Developer within the District on behalf of the District. The Agreement dated September 5, 2006, was between the City of Houston, Texas (the "City") and a Developer in the District. The Agreement acknowledges that the District is within the corporate limits of the City. The Agreement provides and the District will acquire, for the benefit of and conveyance to the City, the water and wastewater and certain storm drainage facilities needed to serve lands being developed within and near the boundaries of the District in order to enhance the economic feasibility of the District. The Agreement further provides that the City agrees to pay a portion of the construction costs of said utilities through "Developer Participation Contracts" between the City and the Developer and/or through "Interlocal Agreements" with the District. In accordance with the Agreement, if the City does not make the payments as noted in the "Developer Participation Contracts" or the "Interlocal Agreements", the City will be required to make annual payments and monthly revenue payments to the District as outlined in the Agreement. The City will be required to make the annual payments and the monthly revenue payments until the date the total sum of all payments equals the total principal sum that would have been due under the "Developer Participation Contracts" and "Interlocal Agreements".

As facilities are acquired, constructed and conveyed to the City, the City will assume responsibility for operation and maintenance of the water, wastewater and certain storm water drainage facilities. The City will bill and collect for water and wastewater services from the customers within the District at the same rates as those the City charges its other customers.

The District and the City acknowledge that the City has the legal authority to dissolve the District at any time, should the appropriate circumstances exist. The Agreement will remain in effect until the earlier of 50 years or the dissolution of the District by the City.

NOTE 9. UNREIMBURSED COSTS

The District has executed developer financing agreements with Developers within the District. The agreements call for the Developers to make operating advances as well as fund costs associated with water, sewer and drainage facilities until such time as the District can sell bonds. A total of \$2,437,076 has been recorded for utilities construction in Wayside Village, Sections 1 and 2. \$2,145,206 was reimbursed in prior years. A total of \$19,129,204 has been recorded for utility and road construction in Wayside Village, Sections 4, 6, 9, 11, 12, 13 and the East and West Detention Ponds. Also, a total of \$597,617 has been recorded for due to developers for the offsite waterline extension. In addition, to date, \$289,300 has been recorded for advances to cover operating costs. \$113,000 was reimbursed in a prior year. As reflected on the Statement of Net Position, \$20,194,991 has been recorded as due to Developers as of April 30, 2024.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

REQUIRED SUPPLEMENTARY INFORMATION

APRIL 30, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 173,083	\$ 333,007	\$ 159,924
Investment Revenues	<u>13,800</u>	<u>13,985</u>	<u>185</u>
TOTAL REVENUES	<u>\$ 186,883</u>	<u>\$ 346,992</u>	<u>\$ 160,109</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 77,500	\$ 111,127	\$ (33,627)
Contracted Services	19,800	22,085	(2,285)
Repairs and Maintenance	46,800	109,226	(62,426)
Other	25,380	50,665	(25,285)
Capital Outlay	<u> </u>	<u>36,802</u>	<u>(36,802)</u>
TOTAL EXPENDITURES	<u>\$ 169,480</u>	<u>\$ 329,905</u>	<u>\$ (160,425)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 17,403</u>	<u>\$ 17,087</u>	<u>\$ (316)</u>
OTHER FINANCING SOURCES(USES)			
Developer Contributions	<u>\$ </u>	<u>\$ 36,802</u>	<u>\$ 36,802</u>
NET CHANGE IN FUND BALANCE	\$ 17,403	\$ 53,889	\$ 36,486
FUND BALANCE - MAY 1, 2023	<u>302,013</u>	<u>302,013</u>	<u> </u>
FUND BALANCE - APRIL 30, 2024	<u>\$ 319,416</u>	<u>\$ 355,902</u>	<u>\$ 36,486</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

APRIL 30, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

SERVICES AND RATES

FOR THE YEAR ENDED APRIL 30, 2024

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u>N/A</u>	Retail Water	<u>N/A</u>	Wholesale Water	<u>N/A</u>	Drainage
<u>N/A</u>	Retail Wastewater	<u>N/A</u>	Wholesale Wastewater	<u>N/A</u>	Irrigation
<u>N/A</u>	Parks/Recreation	<u>N/A</u>	Fire Protection	<u>N/A</u>	Security
<u>N/A</u>	Solid Waste/Garbage	<u>N/A</u>	Flood Control	<u>N/A</u>	Roads
<u>N/A</u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u>N/A</u>	Other (specify): _____				

Pursuant to the Utility Functions and Services Allocation Agreement, the water, wastewater and certain storm water facilities constructed by the District have been conveyed to the City. The District retains ownership of the storm water detention facilities. The City owns, operates and maintains facilities which the District conveys to the City for the benefit of the residents of the District.

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective N/A.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	N/A				
WASTEWATER:	N/A				
SURCHARGE:	N/A				

Total monthly charges per 10,000 gallons usage: Water: \$N/A Wastewater: \$N/A Surcharge: \$N/A Total: \$N/A

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2024

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Not Applicable)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤¾"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1½"	_____	_____	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 Connections	===== N/A =====	===== N/A =====		===== N/A =====
Total Wastewater Connections	===== N/A =====	===== N/A =====	x 1.0	===== N/A =====

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Not Applicable)

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ___ No X

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2024

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which the District is located:

Harris County, Texas

Is the District located within a city?

Entirely X Partly Not at all

City in which the District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 2024

PROFESSIONAL FEES:	
Auditing	\$ 13,750
Engineering	38,320
Legal	<u>59,057</u>
TOTAL PROFESSIONAL FEES	<u>\$ 111,127</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 22,085</u>
REPAIRS AND MAINTENANCE	<u>\$ 109,226</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 11,074
Insurance	3,589
Office Supplies and Postage	2,359
Payroll Taxes	847
Travel and Meetings	1,379
Other	<u>3,417</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 22,665</u>
TOTAL CAPITAL OUTLAY	<u>\$ 36,802</u>
BOND ISSUANCE COSTS	<u>\$ 28,000</u>
TOTAL EXPENDITURES	<u><u>\$ 329,905</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
INVESTMENTS
APRIL 30, 2024

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	<u>\$ 353,265</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0004	Varies	Daily	<u>\$ 187,000</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	<u>\$ 189,689</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 729,954</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2024

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
MAY 1, 2023	\$	6,584	\$	1,463
Adjustments to Beginning				
Balance		<u>222</u>		<u>173</u>
	\$	6,806	\$	1,636
Original 2023 Tax Levy	\$	310,863	\$	141,301
Adjustment to 2023 Tax Levy		<u>35,867</u>		<u>16,303</u>
		<u>346,730</u>		<u>157,604</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 353,536		\$ 159,240
TAX COLLECTIONS:				
Prior Years	\$	4,450	\$	1,023
Current Year		<u>328,557</u>		<u>149,344</u>
		<u>333,007</u>		<u>150,367</u>
TAXES RECEIVABLE -				
APRIL 30, 2024		<u>\$ 20,529</u>		<u>\$ 8,873</u>
TAXES RECEIVABLE BY				
YEAR:				
2023	\$	18,173	\$	8,260
2022		787		613
2021		1,233		
2020		270		
2019		<u>66</u>		<u></u>
TOTAL	\$	<u>20,529</u>	\$	<u>8,873</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2024

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS:				
Land	\$ 23,409,760	\$ 15,369,766	\$ 11,684,953	\$ 11,749,945
Improvements	45,070,630	28,378,693	23,046,849	21,264,308
Personal Property	426,833	392,733	280,541	190,920
Exemptions	<u>(5,865,396)</u>	<u>(4,904,722)</u>	<u>(2,809,647)</u>	<u>(3,802,556)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 63,041,827</u>	<u>\$ 39,236,470</u>	<u>\$ 32,202,696</u>	<u>\$ 29,402,617</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.25	\$ 0.35	\$ 0.00	\$ 0.00
Maintenance	<u>0.55</u>	<u>0.45</u>	<u>0.80</u>	<u>0.80</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.80</u>	<u>\$ 0.80</u>	<u>\$ 0.80</u>	<u>\$ 0.80</u>
ADJUSTED TAX LEVY*	<u>\$ 504,334</u>	<u>\$ 313,893</u>	<u>\$ 257,621</u>	<u>\$ 235,221</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>94.76 %</u>	<u>99.55 %</u>	<u>99.52 %</u>	<u>99.89 %</u>

* Based upon adjusted tax at time of audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 13, 2006.

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2024

S E R I E S - 2 0 2 1				
Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2025	\$ 50,000	\$ 75,395	\$	125,395
2026	50,000	73,895		123,895
2027	55,000	72,320		127,320
2028	55,000	70,945		125,945
2029	60,000	69,795		129,795
2030	60,000	68,595		128,595
2031	65,000	67,312		132,312
2032	65,000	65,915		130,915
2033	70,000	64,395		134,395
2034	75,000	62,690		137,690
2035	75,000	60,853		135,853
2036	80,000	58,875		138,875
2037	85,000	56,687		141,687
2038	85,000	54,350		139,350
2039	90,000	51,855		141,855
2040	95,000	49,125		144,125
2041	100,000	46,200		146,200
2042	105,000	43,125		148,125
2043	110,000	39,900		149,900
2044	120,000	36,450		156,450
2045	125,000	32,775		157,775
2046	130,000	28,950		158,950
2047	135,000	24,975		159,975
2048	140,000	20,850		160,850
2049	145,000	16,575		161,575
2050	155,000	12,075		167,075
2051	160,000	7,350		167,350
2052	165,000	2,475		167,475
	<u>\$ 2,705,000</u>	<u>\$ 1,334,702</u>	<u>\$</u>	<u>4,039,702</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED APRIL 30, 2024

Description	Original Bonds Issued	Bonds Outstanding May 1, 2023
Harris County Municipal Utility District No. 439 Unlimited Tax Bonds - Series 2021	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>
Bond Authority:	Tax Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 41,000,000	\$ 26,000,000
Amount Issued	<u>2,750,000</u>	
Remaining to be Issued	<u>\$ 38,250,000</u>	<u>\$ - 0 -</u>
	*	
Debt Service Fund cash, investments and cash with paying agent balances as of April 30, 2024:		<u>\$ 220,137</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 144,275</u>

See Note 3 for interest rate, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

Current Year Transactions				Paying Agent
Bonds Sold	Retirements		Bonds Outstanding April 30, 2024	
	Principal	Interest		
<u>\$ - 0 -</u>	<u>\$ 45,000</u>	<u>\$ 76,820</u>	<u>\$ 2,705,000</u>	The Bank of New York Mellon Trust Company Dallas, TX

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts			
	2024	2023	2022	2021
REVENUES				
Property Taxes	\$ 333,007	\$ 177,946	\$ 258,219	\$ 231,891
Penalty and Interest			2,676	100
Investment Revenues	13,985	9,730	397	602
Miscellaneous Revenues			50	61
TOTAL REVENUES	<u>\$ 346,992</u>	<u>\$ 187,676</u>	<u>\$ 261,342</u>	<u>\$ 232,654</u>
EXPENDITURES				
Professional Fees	\$ 111,127	\$ 143,276	\$ 132,200	\$ 109,610
Contracted Services	22,085	19,220	28,315	18,847
Repairs and Maintenance	109,226	32,501	32,501	47,430
Other	50,665	20,279	22,266	21,953
Capital Outlay	<u>36,802</u>	<u>22,600</u>		
TOTAL EXPENDITURES	<u>\$ 329,905</u>	<u>\$ 237,876</u>	<u>\$ 215,282</u>	<u>\$ 197,840</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 17,087</u>	<u>\$ (50,200)</u>	<u>\$ 46,060</u>	<u>\$ 34,814</u>
OTHER FINANCING SOURCES (USES)				
Developer Contributions	<u>\$ 36,802</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 53,889	\$ (50,200)	\$ 46,060	\$ 34,814
BEGINNING FUND BALANCE	<u>302,013</u>	<u>352,213</u>	<u>306,153</u>	<u>271,339</u>
ENDING FUND BALANCE	<u>\$ 355,902</u>	<u>\$ 302,013</u>	<u>\$ 352,213</u>	<u>\$ 306,153</u>

See accompanying independent auditor's report.

	Percentage of Total Revenues				
<u>2020</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
\$ 114,228	96.0 %	94.8 %	98.8 %	99.7 %	95.0 %
201			1.0		0.2
5,385	4.0	5.2	0.2	0.3	4.5
<u>418</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>0.3</u>
\$ <u>120,232</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 97,521	32.0 %	76.3 %	50.6 %	47.1 %	81.1 %
14,122	6.4	10.2	10.8	8.1	11.7
64,139	31.5	17.3	12.4	20.4	53.3
18,812	14.6	10.8	8.5	9.4	15.6
<u></u>	<u>10.6</u>	<u>12.0</u>	<u></u>	<u></u>	<u></u>
\$ <u>194,594</u>	<u>95.1 %</u>	<u>126.6 %</u>	<u>82.3 %</u>	<u>85.0 %</u>	<u>161.7 %</u>
\$ <u>(74,362)</u>	<u>4.9 %</u>	<u>(26.6) %</u>	<u>17.7 %</u>	<u>15.0 %</u>	<u>(61.7) %</u>
\$ <u>-0-</u>					
\$ (74,362)					
<u>345,701</u>					
\$ <u><u>271,339</u></u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts			
	2024	2023	2022	2021
REVENUES				
Property Taxes	\$ 150,367	\$ 135,865		
Penalty and Interest	5,348	3,697		
Interest on Investments	7,820	4,198		
Miscellaneous Revenues	40	145	131	
TOTAL REVENUES	<u>\$ 163,575</u>	<u>\$ 143,905</u>	<u>\$ 131</u>	<u>N/A</u>
EXPENDITURES				
Tax Collection Expenditures	\$ 18,911	\$ 15,606	\$ 95	
Debt Service Principal	45,000			
Debt Service Interest and Fees	77,570	100,848		
Bond Issuance Costs				
Payment to Refunded Bond Escrow Agent				
TOTAL EXPENDITURES	<u>\$ 141,481</u>	<u>\$ 116,454</u>	<u>\$ 95</u>	<u>N/A</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 22,094</u>	<u>\$ 27,451</u>	<u>\$ 36</u>	<u>N/A</u>
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	\$ -0-	\$ -0-	\$ 148,364	N/A
NET CHANGE IN FUND BALANCE	\$ 22,094	\$ 27,451	\$ 148,400	N/A
BEGINNING FUND BALANCE	175,851	148,400		
ENDING FUND BALANCE	<u>\$ 197,945</u>	<u>\$ 175,851</u>	<u>\$ 148,400</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<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>	<u>N/A</u>

See accompanying independent auditor's report.

	Percentage of Total Revenues				
2020	2024	2023	2022	2021	2020
	91.9 %	94.4 %			
	3.3	2.6			
	4.8	2.9			
		0.1	100.0		
N/A	100.0 %	100.0 %	100.0 %	N/A %	N/A %
	11.6 %	10.8 %	72.5 %		
	27.5				
	47.4	70.1			
N/A	86.5 %	80.9 %	72.5 %	N/A %	N/A %
N/A	13.5 %	19.1 %	27.5 %	N/A %	N/A %
N/A					
N/A					
N/A					
N/A					
N/A					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2024

District Mailing Address - Harris County Municipal Utility District No. 439
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended April 30, 2024	Expense Reimbursements for the year ended April 30, 2024	Title
Adam Kramer	05/22 - 05/26 (Elected)	\$ 1,626	\$ 32	President
Jonathan Reichek	02/22 - 05/24 (Appointed)	\$ 2,068	\$ -0-	Vice President
Nancy Zimmerman	05/22 - 05/26 (Elected)	\$ 2,510	\$ 238	Secretary
Bonny Beasley	05/20 - 05/24 (Elected)	\$ 2,510	\$ 138	Assistant Vice President/ Assistant Secretary
Steven Burgess	05/22 - 05/26 (Elected)	\$ 2,360	\$ 222	Assistant Vice President/ Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

The submission date of the most recent District Registration Form: May 9, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 13, 2023. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2024

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended April 30, 2024</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	03/07/06	\$ 69,594	Attorney
McCall Gibson Swedlund Barfoot PLLC	04/12/07	\$ 13,750	Auditor
McLennan & Associates, LP	05/17/06	\$ 25,223	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/09/07	\$ 1,251	Delinquent Tax Attorney
IDS Engineering Group	05/17/06	\$ 66,320	Engineer
Rathmann & Associates, L.P.	05/17/06	\$ -0-	Financial Advisor
Jorge Diaz	02/09/17	\$ -0-	Investment Officer
Bob Leared Interests	05/17/06	\$ 12,943	Tax Assessor/ Collector

See accompanying independent auditor's report.

