



Harris County Municipal Utility District No. 569

Harris County, Texas

**Independent Auditor's Report, Financial Statements,
and Supplementary Information**

May 31, 2025



Harris County Municipal Utility District No. 569
Contents
May 31, 2025

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Position and Governmental Funds Balance Sheet	8
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	10
Notes to Financial Statements	11
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	23
Notes to Required Supplementary Information	24
Supplementary Information	
Other Schedules Included Within This Report	25
Schedule of Services and Rates	26
Schedule of General Fund Expenditures	27
Schedule of Temporary Investments	28
Analysis of Taxes Levied and Receivable	29
Schedule of Long-Term Debt Service Requirements by Years	31
Changes in Long-Term Bonded Debt	35
Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund.....	36
Board Members, Key Personnel, and Consultants	38

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 569
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 569 (District), as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of May 31, 2025, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas
October 5, 2025

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer, and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position, and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Harris County Municipal Utility District No. 569
Management's Discussion and Analysis
Year Ended May 31, 2025

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer, and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 4,247,591	\$ 1,694,138
Capital assets	<u>13,721,322</u>	<u>10,860,040</u>
Total assets	<u>\$ 17,968,913</u>	<u>\$ 12,554,178</u>
Long-term liabilities	\$ 41,218,948	\$ 27,688,608
Other liabilities	<u>1,616,286</u>	<u>850,594</u>
Total liabilities	<u>42,835,234</u>	<u>28,539,202</u>
Net position		
Net investment in capital assets	(2,842,524)	(830,524)
Restricted	280,512	93
Unrestricted	<u>(22,304,309)</u>	<u>(15,154,593)</u>
Total net position	<u>\$ (24,866,321)</u>	<u>\$ (15,985,024)</u>

Harris County Municipal Utility District No. 569
Management's Discussion and Analysis
Year Ended May 31, 2025

The total net position of the District decreased by \$8,881,297, or about 56%. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At May 31, 2025, the net investment in capital assets was \$(2,842,524). This amount was negative because not all expenditures from long-term debt were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities, as well as road facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes	\$ 2,454,561	\$ 989,694
Charges for services	1,408,007	450,122
Other revenues	<u>1,826,277</u>	<u>1,538,130</u>
Total revenues	<u>5,688,845</u>	<u>2,977,946</u>
Expenses		
Services	3,442,766	1,949,390
Conveyance of capital assets	8,432,493	11,685,086
Depreciation	306,039	234,875
Contractual obligation	773,084	388,401
Debt service	<u>1,615,760</u>	<u>502,851</u>
Total expenses	<u>14,570,142</u>	<u>14,760,603</u>
Change in net position	(8,881,297)	(11,782,657)
Net position, beginning of year	<u>(15,985,024)</u>	<u>(4,202,367)</u>
Net position, end of year	<u><u>\$ (24,866,321)</u></u>	<u><u>\$ (15,985,024)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2025 were \$2,870,345, an increase of \$1,927,640 from the prior year.

The general fund's fund balance increased by \$1,074,670 primarily due to property taxes and services revenues exceeding service operations and debt service expenditures. In addition, tap connection and inspection fees revenues exceeded the related tap connections expenditures.

The debt service fund's fund balance increased by \$634,032 primarily due to property tax revenues and proceeds received from the sale of bonds exceeding debt service interest and contractual obligation expenditures.

The capital projects fund's fund balance increased by \$218,938 primarily due to proceeds received from the sale of bonds and bond anticipation notes exceeding capital outlay expenditures, debt issuance costs, and repayments of developer advances, and the prior year bond anticipation note.

Harris County Municipal Utility District No. 569
Management's Discussion and Analysis
Year Ended May 31, 2025

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax revenues, water, and sewer service revenues, tap connection and inspection fees revenues and related expenditures, purchased services expenditures, contracted services expenditures, and repairs and maintenance expenditures being greater than expected. In addition, debt issuance costs were incurred but not budgeted. The fund balance as of May 31, 2025 was expected to be \$1,306,664, and the actual end-of-year fund balance was \$1,643,949.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 672,572	\$ 672,572
Water facilities	3,535,328	2,780,774
Wastewater facilities	5,391,676	4,207,315
Drainage facilities	<u>4,121,746</u>	<u>3,199,379</u>
Total capital assets	<u>\$ 13,721,322</u>	<u>\$ 10,860,040</u>

During the current year, additions to capital assets were as follows:

Water and sanitary sewer facilities to serve Sunterra, Sections 33, 37, 38, 39, 40, 41, 43, 44, 45, 59, and 61	\$ 2,147,769
Drainage facilities to serve Sunterra, Sections 37, 39, 40, 43, 44, and 45	<u>1,019,552</u>
Total additions to capital assets	<u>\$ 3,167,321</u>

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2025 are summarized as follows:

Long-term debt payable, beginning of year	\$ 27,688,608
Increases in long-term debt	27,165,973
Decreases in long-term debt	<u>(13,635,633)</u>
Long-term debt payable, end of year	<u>\$ 41,218,948</u>

At May 31, 2025, the District had \$238,125,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District; \$147,725,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing roads; and \$64,600,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing park and recreational facilities.

Developers within the District have constructed water, sewer, drainage, and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the

Harris County Municipal Utility District No. 569
Management's Discussion and Analysis
Year Ended May 31, 2025

proceeds of future bond issues subject to the approval of the Commission, if required. As of May 31, 2025, a liability for developer-constructed capital assets of \$18,975,274 was recorded in the government-wide financial statements.

The District's bonds do not carry an underlying rating. The Series 2024 and Series 2024 Road bonds carry a rating of "AA" from Standard & Poor's by virtue of bond insurance issuance by Build American Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bond indebtedness) and abolish the District within 90 days.

Contingencies

Developers of the District are constructing facilities on behalf of the District within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction amounts are approximately \$9,400,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Events

On August 14, 2025, the District issued its Unlimited Tax Bonds, Series 2025 in the amount of \$11,225,000 at a net effective interest rate of approximately 4.97%. The bonds were sold to redeem the Series 2024 bond anticipation note and reimburse the developers for previously completed utility construction projects within the District.

On August 14, 2025, the District issued its Unlimited Tax Road Bonds, Series 2025 in the amount of \$6,155,000 at a net effective interest rate of approximately 4.93%. The bonds were sold to reimburse the developers for previously completed paving construction projects within the District.

Harris County Municipal Utility District No. 569
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 264,356	\$ 51,189	\$ 1,750	\$ 317,295	\$ -	\$ 317,295
Short-term investments	2,342,278	987,148	222,596	3,552,022	-	3,552,022
Receivables						
Property taxes receivable	39,406	42,438	-	81,844	-	81,844
Service accounts receivable	261,091	-	-	261,091	-	261,091
Accrued penalty and interest	-	-	-	-	23,037	23,037
Interfund receivable	27,696	-	-	27,696	(27,696)	-
Due from others	10,000	-	-	10,000	-	10,000
Prepaid expenditures	2,302	-	-	2,302	-	2,302
Capital assets (net of accumulated depreciation)						
Land and improvements	-	-	-	-	672,572	672,572
Infrastructure	-	-	-	-	13,048,750	13,048,750
Total Assets	\$ 2,947,129	\$ 1,080,775	\$ 224,346	\$ 4,252,250	\$ 13,716,663	\$ 17,968,913

Harris County Municipal Utility District No. 569
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2025

(Continued)

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 521,410	\$ 3,691	\$ 4,900	\$ 530,001	\$ -	\$ 530,001
Accrued interest payable	-	-	-	-	343,921	343,921
Customer deposits	570,689	-	-	570,689	-	570,689
Unearned tap connection fees	171,675	-	-	171,675	-	171,675
Interfund payable	-	27,696	-	27,696	(27,696)	-
Long-term liabilities						
Due within one year	-	-	-	-	75,000	75,000
Due after one year	-	-	-	-	41,143,948	41,143,948
Total Liabilities	1,263,774	31,387	4,900	1,300,061	41,535,173	42,835,234
Deferred Inflows of Resources						
Deferred property tax revenues	39,406	42,438	-	81,844	(81,844)	-
Fund Balances/Net Position						
Fund balances						
Nonspendable, prepaid expenditures	2,302	-	-	2,302	(2,302)	-
Restricted						
Unlimited tax bonds	-	312,773	-	312,773	(312,773)	-
Unlimited tax road bonds	-	694,177	-	694,177	(694,177)	-
Water, sewer, and drainage	-	-	185,176	185,176	(185,176)	-
Roads	-	-	34,270	34,270	(34,270)	-
Unassigned	1,641,647	-	-	1,641,647	(1,641,647)	-
Total fund balances	1,643,949	1,006,950	219,446	2,870,345	(2,870,345)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,947,129	\$ 1,080,775	\$ 224,346	\$ 4,252,250		
Net position						
Net investment in capital assets					(2,842,524)	(2,842,524)
Restricted for debt service					263,471	263,471
Restricted for capital projects					17,041	17,041
Unrestricted					(22,304,309)	(22,304,309)
Total net position					\$ (24,866,321)	\$ (24,866,321)

Harris County Municipal Utility District No. 569
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended May 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,142,057	\$ 1,236,130	\$ -	\$ 2,378,187	\$ 76,374	\$ 2,454,561
Water service	910,136	-	-	910,136	-	910,136
Sewer service	497,871	-	-	497,871	-	497,871
Penalty and interest	37,349	16,829	-	54,178	23,037	77,215
Tap connection and inspection fees	1,564,107	-	-	1,564,107	-	1,564,107
Investment income	65,714	42,193	17,048	124,955	-	124,955
Other income	-	-	-	-	60,000	60,000
Total Revenues	4,217,234	1,295,152	17,048	5,529,434	159,411	5,688,845
Expenditures/Expenses						
Service operations						
Purchased services	1,398,374	-	-	1,398,374	-	1,398,374
Professional fees	174,527	733	-	175,260	218,835	394,095
Contracted services	314,827	32,929	-	347,756	656	348,412
Repairs and maintenance	723,320	-	-	723,320	-	723,320
Other expenditures	48,796	4,949	100	53,845	-	53,845
Tap connections	524,720	-	-	524,720	-	524,720
Capital outlay	-	-	14,470,907	14,470,907	(14,470,907)	-
Conveyance of capital assets	-	-	-	-	8,432,493	8,432,493
Depreciation	-	-	-	-	306,039	306,039
Debt service						
Principal retirement	-	-	1,565,000	1,565,000	(1,565,000)	-
Interest and fees	-	459,525	70,706	530,231	266,112	796,343
Debt issuance costs	82,750	-	736,667	819,417	-	819,417
Contractual obligation	-	773,084	-	773,084	-	773,084
Total Expenditures/Expenses	3,267,314	1,271,220	16,843,380	21,381,914	(6,811,772)	14,570,142
Excess (Deficiency) of Revenues Over Expenditures	949,920	23,932	(16,826,332)	(15,852,480)	6,971,183	
Other Financing Sources (Uses)						
Interfund transfers in (out)	64,750	-	(64,750)	-	-	-
Repayment of developer advances	-	-	(128,750)	(128,750)	128,750	-
General obligation bonds issued	-	610,100	11,619,900	12,230,000	(12,230,000)	-
Discount on debt issued	-	-	(366,130)	(366,130)	366,130	-
Bond anticipation note issued	-	-	5,985,000	5,985,000	(5,985,000)	-
Contribution from others	60,000	-	-	60,000	(60,000)	-
Total Other Financing Sources	124,750	610,100	17,045,270	17,780,120	(17,780,120)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,074,670	634,032	218,938	1,927,640	(1,927,640)	
Change in Net Position					(8,881,297)	(8,881,297)
Fund Balances/Net Position						
Beginning of year	569,279	372,918	508	942,705	-	(15,985,024)
End of year	<u>\$ 1,643,949</u>	<u>\$ 1,006,950</u>	<u>\$ 219,446</u>	<u>\$ 2,870,345</u>	<u>\$ -</u>	<u>\$ (24,866,321)</u>

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Harris County Municipal Utility District No. 569 (District) was created by House Bill No. 2671 (Bill) of the 86th Session of the Texas Legislature of the State of Texas, effective June 10, 2019, in accordance with the provisions of Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and Article XVI, Section 59 of the Constitution of the State of Texas and is subject to the continuing supervision of the Texas Commission on Environmental Quality (Commission). The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, drainage, park, road, and other facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-Wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage, and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services, and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District, which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services, and interest income.

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2025

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental fund revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental fund to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services, and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

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

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the period in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes and penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2025

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2025 include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2025, the 2024 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives is not capitalized.

Harris County assumes the maintenance and other incidents of ownership of most storm sewer facilities, as well as road facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years
Drainage facilities	10–45 years

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2025

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	\$ 13,721,322
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	81,844
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	23,037
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(343,921)
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	<u>(41,218,948)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ (27,736,666)</u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from changes in fund balances in the governmental funds statement of revenues, expenditures, and changes in fund balances because:

Change in fund balances.	\$ 1,927,640
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense, or conveyed to another governmental entity for ownership and maintenance. This is the amount by which capital outlay expenditures exceeded conveyed capital assets, depreciation expense and noncapitalized costs in the current period.	5,512,884
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	128,750

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2025

Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. \$ 366,130

Governmental funds report proceeds from sales of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position. (16,650,000)

Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities. 99,411

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (266,112)

Change in net position of governmental activities. \$ (8,881,297)

Note 2. Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At May 31, 2025, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies, and counties and other political subdivisions with an investment rating not less than "A," certificates of deposit of financial institutions domiciled in Texas, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts, and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2025

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at net asset value.

At May 31, 2025, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1	1–5	6–10	More Than 10
Texas CLASS	\$ 3,552,022	\$ 3,552,022	\$ -	\$ -	\$ -

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years, and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2025, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position captions at May 31, 2025 as follows:

Carrying value	
Deposits	\$ 317,295
Investments	<u>3,552,022</u>
Total	<u>\$ 3,869,317</u>

Investment Income

Investment income of \$124,955 for the year ended May 31, 2025 consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of May 31, 2025:

- Pooled investments of \$3,552,022 are valued at fair value per share of the pool's underlying portfolio.

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2025

Note 3. Capital Assets

A summary of changes in capital assets for the year ended May 31, 2025 is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable			
Land and improvements	\$ 672,572	\$ -	\$ 672,572
Capital assets, depreciable			
Water production and distribution facilities	2,874,267	837,189	3,711,456
Wastewater collection and treatment facilities	4,356,540	1,310,580	5,667,120
Drainage facilities	3,338,573	1,019,552	4,358,125
Total capital assets, depreciable	10,569,380	3,167,321	13,736,701
Less accumulated depreciation			
Water production and distribution facilities	(93,493)	(82,635)	(176,128)
Wastewater collection and treatment facilities	(149,225)	(126,219)	(275,444)
Drainage facilities	(139,194)	(97,185)	(236,379)
Total accumulated depreciation	(381,912)	(306,039)	(687,951)
Total governmental activities, net	\$ 10,860,040	\$ 2,861,282	\$ 13,721,322

Note 4. Long-Term Liabilities

Changes in long-term liabilities for year ended May 31, 2025 were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable					
General obligation bonds	\$ 4,520,000	\$ 12,230,000	\$ -	\$ 16,750,000	\$ 75,000
Less discounts on bonds	132,462	366,130	7,266	491,326	-
	4,387,538	11,863,870	(7,266)	16,258,674	75,000
Bond anticipation notes	1,565,000	5,985,000	1,565,000	5,985,000	-
Due to developers	21,607,320	9,317,103	11,949,149	18,975,274	-
Due to developer – advances	128,750	-	128,750	-	-
Total governmental activities long-term liabilities	\$ 27,688,608	\$ 27,165,973	\$ 13,635,633	\$ 41,218,948	\$ 75,000

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2025

General Obligation Bonds

	<u>Road Series 2023</u>	<u>Series 2024</u>
Amounts outstanding, May 31, 2025	\$4,520,000	\$3,375,000
Interest rates	5.00% to 5.60%	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2025/2051	September 1, 2026/2051
Interest payment dates	March 1/September 1	March 1/September 1
Callable date*	September 1, 2030	September 1, 2030
		<u>Road Series 2024</u>
Amount outstanding, May 31, 2025		\$8,855,000
Interest rates		4.00% to 6.50%
Maturity dates, serially beginning/ending		September 1, 2026/2051
Interest payment dates		March 1/September 1
Callable date*		September 1, 2030

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at May 31, 2025:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 75,000	\$ 774,983	\$ 849,983
2027	315,000	763,807	1,078,807
2028	330,000	744,420	1,074,420
2029	345,000	723,795	1,068,795
2030	365,000	702,364	1,067,364
2031–2035	2,130,000	3,197,372	5,327,372
2036–2040	2,775,000	2,643,749	5,418,749
2041–2045	3,570,000	1,952,865	5,522,865
2046–2050	4,630,000	1,046,443	5,676,443
2051–2052	2,215,000	102,334	2,317,334
Total	<u>\$ 16,750,000</u>	<u>\$ 12,652,132</u>	<u>\$ 29,402,132</u>

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

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2025

Bonds voted	
Water, sanitary sewer, and drainage facilities	\$ 241,500,000
Park and recreational facilities	64,600,000
Road facilities	161,100,000
Refunding bonds voted	
Water, sanitary sewer, and drainage facilities	241,500,000
Park and recreational facilities	64,600,000
Road facilities	161,100,000
Bonds sold	
Water, sanitary sewer, and drainage facilities	3,375,000
Road facilities	13,375,000

Due to Developers

Developers within the District have constructed water, sewer, drainage, and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if required. As of May 31, 2025, a liability for developer-constructed capital assets of \$18,975,274 was recorded in the government-wide financial statements.

Bond Anticipation Note

On December 16, 2024, the District issued its Series 2024 Bond Anticipation Note in the amount of \$5,985,000. The note is dated December 16, 2024, bears interest at the rate of 5.50%, and matures December 15, 2025, unless called for early redemption. The note is a special limited obligation of the District and is payable solely from proceeds from the sale of bonds and, therefore, has been excluded from the current portion of long-term liabilities. Subsequent to year-end, the District issued its Unlimited Tax Bonds, Series 2025 and used a portion of the proceeds to redeem the note prior to its maturity.

Note 5. Significant Bond Order and Commission Requirements

- (A) The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended May 31, 2025, the District levied an ad valorem debt service tax at the rate of \$0.2500 per \$100 of assessed valuation, which resulted in a tax levy of \$409,105 on the taxable valuation of \$163,641,976 for the 2024 tax year. The interest requirements on utility bonds to be paid from the tax revenues and available resources are \$150,038, of which \$72,876 has been paid and \$77,162 is due September 1, 2025. The principal and interest requirements on road bonds to be paid from the tax revenues and available resources are \$650,206, of which \$263,940 has been paid and \$286,266 is due September 1, 2025.
- (B) During the current year, the District transferred \$64,750 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.
- (C) In accordance with the Road Series 2023, Series 2024, and Road Series 2024 Bond Orders, a portion of the bond proceeds were deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2025

Bond interest reserve, beginning of year		\$	313,708
Additions – Interest appropriated from bond proceeds			
Series 2024	\$	231,488	
Road Series 2024		<u>378,612</u>	610,100
Deductions – Appropriation from bond interest paid			
Road Series 2023		243,920	
Series 2024		72,876	
Road Series 2024		<u>141,979</u>	<u>458,775</u>
Bond interest reserve, end of year		\$	<u><u>465,033</u></u>

Note 6. Maintenance Taxes

At an election held November 2, 2021, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.7200 per \$100 of assessed valuation, which resulted in a tax levy of \$1,178,223 on the taxable valuation of \$163,641,976 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Contract Taxes

At an election held November 2, 2021, voters authorized a contract tax on all property within the District subject to taxation. During the year ended May 31, 2025, the District levied an ad valorem contract tax at the rate of \$0.5300 per \$100 of assessed valuation, which resulted in a tax levy of \$867,303 on the taxable valuation of \$163,641,976 for the 2024 tax year. The contract tax is used to pay for the District's pro rata share of principal and interest on Harris-Waller Counties Municipal Utility District No. 4's (Master District) contract revenue bonds as described in Note 8.

Note 8. Financing and Operation of Regional Facilities

On August 10, 2021, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (Contract) with the Master District, whereby the Master District agrees to provide, or cause to be provided, the regional water, wastewater, drainage, and road facilities necessary to serve all participating districts located within the Master District's service area.

The Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the District to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually.

The Master District is charging each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The term of the Contract is 40 years. For the year ended May 31, 2025, the District incurred \$1,398,374 in fees related to the Contract.

Harris County Municipal Utility District No. 569
Notes to Financial Statements
May 31, 2025

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage, and road facilities needed to provide services to all participating districts in the Master District's service area. The District shall contribute annually to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. For the year ended May 31, 2025, the District incurred \$773,084 in contractual obligations related to Master District contract revenue bonds.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts since the inception of the District.

Note 10. Contingencies

Developers of the District are constructing facilities on behalf of the District within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction amounts are approximately \$9,400,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 11. Subsequent Events

On August 14, 2025, the District issued its Unlimited Tax Bonds, Series 2025 in the amount of \$11,225,000 at a net effective interest rate of approximately 4.97%. The bonds were sold to redeem the Series 2024 bond anticipation note and reimburse the developers for previously completed utility construction projects within the District.

On August 14, 2025, the District issued its Unlimited Tax Road Bonds, Series 2025 in the amount of \$6,155,000 at a net effective interest rate of approximately 4.93%. The bonds were sold to reimburse the developers for previously completed paving construction projects within the District.

Required Supplementary Information

Harris County Municipal Utility District No. 569
Budgetary Comparison Schedule – General Fund
Year Ended May 31, 2025

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 559,000	\$ 981,100	\$ 1,142,057	\$ 160,957
Water service	620,000	620,000	910,136	290,136
Sewer service	376,200	376,200	497,871	121,671
Penalty and interest	18,300	18,300	37,349	19,049
Tap connection and inspection fees	728,400	728,400	1,564,107	835,707
Investment income	23,100	23,100	65,714	42,614
Total Revenues	2,325,000	2,747,100	4,217,234	1,470,134
Expenditures				
Service operations				
Purchased services	911,000	911,000	1,398,374	(487,374)
Professional fees	150,800	150,800	174,527	(23,727)
Contracted services	184,800	184,800	314,827	(130,027)
Repairs and maintenance	567,500	572,700	723,320	(150,620)
Other expenditures	53,000	53,000	48,796	4,204
Tap connections	262,500	262,500	524,720	(262,220)
Debt service, debt issuance costs	-	-	82,750	(82,750)
Total Expenditures	2,129,600	2,134,800	3,267,314	(1,132,514)
Excess of Revenues Over Expenditures	195,400	612,300	949,920	337,620
Other Financing Sources				
Contribution from others	60,000	60,000	60,000	-
Interfund transfers in	-	65,085	64,750	(335)
Total Other Financing Sources	60,000	125,085	124,750	(335)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	255,400	737,385	1,074,670	337,285
Fund Balance, Beginning of Year	569,279	569,279	569,279	-
Fund Balance, End of Year	\$ 824,679	\$ 1,306,664	\$ 1,643,949	\$ 337,285

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2025.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

Harris County Municipal Utility District No. 569
Other Schedules Included Within This Report
May 31, 2025

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11–22
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund
- [X] Board Members, Key Personnel, and Consultants

Harris County Municipal Utility District No. 569
Schedule of Services and Rates
Year Ended May 31, 2025

1. Services to be provided by the District

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 57.00	10,000	N	\$ 4.30	10,001 to No Limit
Wastewater:	\$ 47.50	-	Y		

Does the District employ winter averaging for wastewater usage?

Yes ☒ No ☐

Total charges per 10,000 gallons usage (including fees): Water \$ 57.00 Wastewater \$ 47.50

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	1,309	1,298	x1.0	1,298
1"	2	2	x2.5	5
1 1/2"	1	1	x5.0	5
2"	16	16	x8.0	128
3"	1	1	x15.0	15
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	1	1	x115.0	115
Total water	1,330	1,319		1,566
Total wastewater	1,312	1,301	x1.0	1,301

3. Total water consumption (in thousands) during the fiscal year

Gallons pumped into the system:	107,402
Gallons billed to customers:	107,402
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 569
Schedule of General Fund Expenditures
Year Ended May 31, 2025

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 18,500	
Legal	101,009	
Engineering	55,018	
Financial advisor	-	174,527
Purchased Services for Resale		
Bulk water and wastewater service purchases		1,398,374
Regional Water Fee		-
Contracted Services		
Bookkeeping	49,751	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	55,121	
Other contracted services	66,480	171,352
Utilities		-
Repairs and Maintenance		723,320
Administrative Expenditures		
Directors' fees	7,735	
Office supplies	9,317	
Insurance	3,287	
Other administrative expenditures	28,457	48,796
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	-	-
Tap Connection Expenditures		524,720
Solid Waste Disposal		143,475
Fire Fighting		-
Parks and Recreation		-
Other		82,750
Total Expenditures		<u>\$ 3,267,314</u>

Harris County Municipal Utility District No. 569
Schedule of Temporary Investments
May 31, 2025

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Texas CLASS	4.42%	Demand	\$ 2,342,278	\$ -
Debt Service Fund				
Texas CLASS	4.42%	Demand	127,274	-
Texas CLASS	4.42%	Demand	694,177	-
Texas CLASS	4.42%	Demand	165,697	-
			987,148	-
Capital Projects Fund				
Texas CLASS	4.42%	Demand	183,493	-
Texas CLASS	4.42%	Demand	34,270	-
Texas CLASS	4.42%	Demand	4,833	-
			222,596	-
Totals			<u>\$ 3,552,022</u>	<u>\$ -</u>

Harris County Municipal Utility District No. 569
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2025

	Maintenance Taxes	Debt Service Taxes	Contract Taxes
Receivable, Beginning of Year	\$ 3,282	\$ -	\$ 2,188
Additions and corrections to prior years' taxes	(42)	-	(28)
Adjusted Receivable, Beginning of Year	<u>3,240</u>	<u>-</u>	<u>2,160</u>
 2024 Original Tax Levy	 512,398	 177,916	 377,182
Additions and corrections	665,825	231,189	490,121
 Adjusted tax levy	<u>1,178,223</u>	<u>409,105</u>	<u>867,303</u>
 Total to Be Accounted For	 1,181,463	 409,105	 869,463
 Tax collections: Current year	 (1,139,421)	 (395,632)	 (838,740)
Prior years	(2,636)	-	(1,758)
Receivable, End of Year	<u><u>\$ 39,406</u></u>	<u><u>\$ 13,473</u></u>	<u><u>\$ 28,965</u></u>
 Receivable, by Years			
2024	\$ 38,802	\$ 13,473	\$ 28,563
2023	604	-	402
Receivable, End of Year	<u><u>\$ 39,406</u></u>	<u><u>\$ 13,473</u></u>	<u><u>\$ 28,965</u></u>

Harris County Municipal Utility District No. 569
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2025

(Continued)

	2024	2023	2022
Property Valuations			
Land	\$ 71,791,331	\$ 66,221,914	\$ 8,597,470
Improvements	94,227,491	338,689	-
Personal property	1,685,284	19,500	-
Exemptions	(4,062,130)	(2,464,864)	(4,000,992)
Total Property Valuations	\$ 163,641,976	\$ 64,115,239	\$ 4,596,478
Tax Rates Per \$100 Valuation			
Debt service tax rates	\$ 0.2500	\$ -	\$ -
Contract tax rates	0.5300	0.6000	-
Maintenance tax rates*	0.7200	0.9000	1.5000
Total Tax Rates Per \$100 Valuation	\$ 1.5000	\$ 1.5000	\$ 1.5000
Tax Levy	\$ 2,454,631	\$ 961,730	\$ 68,947
Percent of Taxes Collected to Taxes Levied**	97%	99%	100%

*Maximum tax rate approved by voters: \$1.50 on November 2, 2021

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

Harris County Municipal Utility District No. 569
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025

Due During Fiscal Years Ending May 31	Road Series 2023		Total
	Principal Due September 1	Interest Due September 1, March 1	
2026	\$ 75,000	\$ 242,045	\$ 317,045
2027	80,000	238,170	318,170
2028	85,000	234,045	319,045
2029	90,000	229,670	319,670
2030	95,000	225,045	320,045
2031	100,000	220,170	320,170
2032	105,000	215,045	320,045
2033	110,000	209,670	319,670
2034	120,000	203,920	323,920
2035	125,000	197,733	322,733
2036	130,000	191,230	321,230
2037	140,000	184,345	324,345
2038	145,000	177,077	322,077
2039	155,000	169,195	324,195
2040	165,000	160,555	325,555
2041	170,000	151,510	321,510
2042	180,000	142,060	322,060
2043	190,000	131,880	321,880
2044	200,000	120,960	320,960
2045	210,000	109,480	319,480
2046	225,000	97,300	322,300
2047	235,000	84,420	319,420
2048	250,000	70,840	320,840
2049	265,000	56,420	321,420
2050	275,000	41,300	316,300
2051	290,000	25,480	315,480
2052	310,000	8,680	318,680
Totals	\$ 4,520,000	\$ 4,138,245	\$ 8,658,245

Harris County Municipal Utility District No. 569
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025

(Continued)

Due During Fiscal Years Ending May 31	Series 2024		Total
	Principal Due September 1	Interest Due September 1, March 1	
2026	\$ -	\$ 154,325	\$ 154,325
2027	55,000	152,537	207,537
2028	55,000	148,962	203,962
2029	60,000	145,225	205,225
2030	65,000	141,163	206,163
2031	70,000	136,775	206,775
2032	75,000	132,062	207,062
2033	75,000	127,188	202,188
2034	80,000	122,150	202,150
2035	85,000	117,159	202,159
2036	95,000	112,097	207,097
2037	100,000	107,425	207,425
2038	105,000	103,325	208,325
2039	115,000	98,925	213,925
2040	120,000	94,225	214,225
2041	130,000	89,225	219,225
2042	135,000	83,925	218,925
2043	145,000	78,325	223,325
2044	155,000	72,325	227,325
2045	165,000	65,925	230,925
2046	175,000	59,016	234,016
2047	185,000	51,591	236,591
2048	200,000	43,650	243,650
2049	210,000	35,062	245,062
2050	225,000	25,819	250,819
2051	240,000	15,937	255,937
2052	255,000	5,419	260,419
Totals	\$ 3,375,000	\$ 2,519,762	\$ 5,894,762

Harris County Municipal Utility District No. 569
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025

(Continued)

Due During Fiscal Years Ending May 31	Road Series 2024		Total
	Principal Due September 1	Interest Due September 1, March 1	
2026	\$ -	\$ 378,613	\$ 378,613
2027	180,000	373,100	553,100
2028	190,000	361,413	551,413
2029	195,000	348,900	543,900
2030	205,000	336,156	541,156
2031	215,000	323,300	538,300
2032	225,000	312,350	537,350
2033	235,000	303,150	538,150
2034	250,000	293,450	543,450
2035	260,000	283,250	543,250
2036	275,000	272,550	547,550
2037	285,000	261,350	546,350
2038	300,000	249,650	549,650
2039	315,000	237,350	552,350
2040	330,000	224,450	554,450
2041	345,000	210,950	555,950
2042	360,000	196,850	556,850
2043	375,000	182,150	557,150
2044	395,000	166,750	561,750
2045	415,000	150,550	565,550
2046	435,000	133,550	568,550
2047	455,000	115,750	570,750
2048	475,000	97,150	572,150
2049	500,000	77,650	577,650
2050	520,000	56,925	576,925
2051	545,000	34,959	579,959
2052	575,000	11,859	586,859
Totals	\$ 8,855,000	\$ 5,994,125	\$ 14,849,125

Harris County Municipal Utility District No. 569
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025

(Continued)

Due During Fiscal Years Ending May 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 75,000	\$ 774,983	\$ 849,983
2027	315,000	763,807	1,078,807
2028	330,000	744,420	1,074,420
2029	345,000	723,795	1,068,795
2030	365,000	702,364	1,067,364
2031	385,000	680,245	1,065,245
2032	405,000	659,457	1,064,457
2033	420,000	640,008	1,060,008
2034	450,000	619,520	1,069,520
2035	470,000	598,142	1,068,142
2036	500,000	575,877	1,075,877
2037	525,000	553,120	1,078,120
2038	550,000	530,052	1,080,052
2039	585,000	505,470	1,090,470
2040	615,000	479,230	1,094,230
2041	645,000	451,685	1,096,685
2042	675,000	422,835	1,097,835
2043	710,000	392,355	1,102,355
2044	750,000	360,035	1,110,035
2045	790,000	325,955	1,115,955
2046	835,000	289,866	1,124,866
2047	875,000	251,761	1,126,761
2048	925,000	211,640	1,136,640
2049	975,000	169,132	1,144,132
2050	1,020,000	124,044	1,144,044
2051	1,075,000	76,376	1,151,376
2052	1,140,000	25,958	1,165,958
Totals	<u>\$ 16,750,000</u>	<u>\$ 12,652,132</u>	<u>\$ 29,402,132</u>

Harris County Municipal Utility District No. 569
Changes in Long-Term Bonded Debt
Year Ended May 31, 2025

	Bond Issues			Totals
	Road Series 2023	Series 2024	Road Series 2024	
Interest rates	5.00% to 5.60%	4.00% to 6.50%	4.00% to 6.50%	
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1	
Maturity dates	September 1, 2025/2051	September 1, 2026/2051	September 1, 2026/2051	
Bonds outstanding, beginning of current year	\$ 4,520,000	\$ -	\$ -	\$ 4,520,000
Bonds sold during the current year	-	3,375,000	8,855,000	12,230,000
Retirements, principal	-	-	-	-
Bonds outstanding, end of of current year	<u>\$ 4,520,000</u>	<u>\$ 3,375,000</u>	<u>\$ 8,855,000</u>	<u>\$ 16,750,000</u>
Interest paid during the current year	<u>\$ 243,920</u>	<u>\$ 72,876</u>	<u>\$ 141,979</u>	<u>\$ 458,775</u>
Paying agent's name and address				
Road Series 2023	- The Bank of New York Mellon Trust Company, N.A., Houston, Texas			
Series 2024	- The Bank of New York Mellon Trust Company, N.A., Houston, Texas			
Road Series 2024	- The Bank of New York Mellon Trust Company, N.A., Houston, Texas			
Bond authority	Tax Bonds	Recreational Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	\$ 241,500,000	\$ 64,600,000	\$ 161,100,000	\$ 467,200,000
Amount issued	\$ 3,375,000	\$ -	\$ 13,375,000	\$ -
Remaining to be issued	<u>\$ 238,125,000</u>	<u>\$ 64,600,000</u>	<u>\$ 147,725,000</u>	<u>\$ 467,200,000</u>
Debt service fund cash and temporary investment balances as of May 31, 2025:				<u>\$ 1,038,337</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:				<u>\$ 1,088,968</u>

Harris County Municipal Utility District No. 569
Comparative Schedule of Revenues and Expenditures – General Fund
Three Years Ended May 31, 2025, 2024, and 2023 and Period From Inception
(June 10, 2019) to May 31, 2022

	Amounts			
	2025	2024	2023	2022**
General Fund				
Revenues				
Property taxes	\$ 1,142,057	\$ 601,720	\$ 68,947	\$ -
Water service	910,136	275,422	13,647	-
Sewer service	497,871	174,700	12,551	-
Penalty and interest	37,349	18,329	454	-
Tap connection and inspection fees	1,564,107	1,413,436	143,865	-
Investment income	65,714	23,523	-	-
Total Revenues	4,217,234	2,507,130	239,464	-
Expenditures				
Service operations				
Purchased services	1,398,374	557,386	18,785	-
Professional fees	174,527	166,362	136,581	66,833
Contracted services	314,827	134,993	41,073	6,802
Repairs and maintenance	723,320	551,856	49,019	-
Other expenditures	48,796	46,584	28,779	29,032
Tap connections	524,720	430,791	43,470	-
Debt service				
Debt issuance costs	82,750	69,450	-	-
Contractual obligation	-	19,695	14,334	-
Total Expenditures	3,267,314	1,977,117	332,041	102,667
Excess (Deficiency) of Revenues Over Expenditures	949,920	530,013	(92,577)	(102,667)
Other Financing Sources (Uses)				
Interfund transfers in (out)	64,750	(42,490)	-	-
Contribution from others	60,000	60,000	10,000	-
Developer advances received	-	-	132,000	75,000
Total Other Financing Sources	124,750	17,510	142,000	75,000
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,074,670	547,523	49,423	(27,667)
Fund Balance (Deficit), Beginning of Period	569,279	21,756	(27,667)	-
Fund Balance (Deficit), End of Period	\$ 1,643,949	\$ 569,279	\$ 21,756	\$ (27,667)
Total Active Retail Water Connections	1,319	602	112	-
Total Active Retail Wastewater Connections	1,301	589	111	-

*Percentages not meaningful.

**Period from inception (June 10, 2019) to May 31, 2022

Percent of Fund Total Revenues			
2025	2024	2023	2022
27.1 %	24.0 %	28.8 %	* %
21.6	11.0	5.7	*
11.8	7.0	5.2	*
0.9	0.7	0.2	*
37.1	56.4	60.1	*
1.5	0.9	-	*
100.0	100.0	100.0	0.0
33.2	22.2	7.8	*
4.1	6.6	57.0	*
7.5	5.4	17.2	*
17.1	22.0	20.5	*
1.2	1.9	12.0	*
12.4	17.2	18.2	*
2.0	2.8	-	*
-	0.8	6.0	*
77.5	78.9	138.7	*
22.5 %	21.1 %	(38.7) %	* %

Harris County Municipal Utility District No. 569
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Two Years Ended May 31,

	Amounts		Percent of Fund Total Revenues	
	2025	2024	2025	2024
Debt Service Fund				
Revenues				
Property taxes	\$ 1,236,130	\$ 382,504	95.4 %	94.4 %
Penalty and interest	16,829	12,030	1.3	3.0
Investment income	42,193	10,694	3.3	2.6
Total Revenues	<u>1,295,152</u>	<u>405,228</u>	<u>100.0</u>	<u>100.0</u>
Expenditures				
Current				
Professional fees	733	-	0.1	-
Contracted services	32,929	15,275	2.5	3.8
Other expenditures	4,949	4,527	0.4	1.1
Debt service				
Interest and fees	459,525	52,172	35.5	12.9
Contractual obligation	773,084	368,706	59.7	91.0
Total Expenditures	<u>1,271,220</u>	<u>440,680</u>	<u>98.2</u>	<u>108.8</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,932</u>	<u>(35,452)</u>	<u>1.8 %</u>	<u>(8.8) %</u>
Other Financing Sources				
Interfund transfers in	-	42,490		
General obligation bonds issued	610,100	365,880		
Total Other Financing Sources	<u>610,100</u>	<u>408,370</u>		
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>634,032</u>	<u>372,918</u>		
Fund Balance, Beginning of Year	<u>372,918</u>	<u>-</u>		
Fund Balance, End of Year	<u>\$ 1,006,950</u>	<u>\$ 372,918</u>		

Harris County Municipal Utility District No. 569
Board Members, Key Personnel, and Consultants
Year Ended May 31, 2025

Complete District mailing address:	Harris County Municipal Utility District No. 569 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, TX 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 12, 2025
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Jason Schultz	Elected 05/22– 05/26	\$ 1,989	\$ 406	President
Nicholas Luton	Elected 05/24– 05/28	1,105	74	Vice President
Blakely Norris	Elected 05/24– 05/28	1,989	-	Secretary
Julia Pecina	Elected 05/24– 05/28	1,989	-	Assistant Secretary
Benjamin Boehm	Appointed 04/25– 05/26	442	157	Assistant Secretary
David Jezierski	Elected 05/22– 04/25	221	-	Resigned

*Fees are the amounts actually paid to a director during the District's fiscal year.

Harris County Municipal Utility District No. 569
Board Members, Key Personnel, and Consultants
Year Ended May 31, 2025

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bob Leared Interests	08/08/22	\$ 21,710	Tax Assessor/ Collector
Forvis Mazars, LLP	06/13/22	56,800	Auditor
Harris Central Appraisal District	Legislative Action	14,963	Appraiser
Municipal Accounts & Consulting, L.P.	08/03/21	63,776	Bookkeeper
Municipal District Services, L.L.C.	04/11/22	1,115,006	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	10/10/22	733	Delinquent Tax Attorney
Quiddity Engineering, LLC	08/03/21	159,518	Engineer
Robert W. Baird & Co. Incorporated	08/03/21	308,562	Financial Advisor
Schwartz, Page & Harding, L.L.P.	08/03/21	326,760 238,955	Bond Counsel General Counsel
Investment Officers			
Mark Burton and Ghia Lewis	11/15/21	N/A	Bookkeepers