

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

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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, 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 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, 2025, 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.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, resulting in restatement of the District’s government-wide financial statements as of and for the fiscal year ended April 30, 2024. Our opinions are not modified with respect to this matter.

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.

Responsibilities of Management for the Financial Statements (Continued)

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.

Board of Directors
Harris County Municipal
Utility District No. 439

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.

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 Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

August 14, 2025

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2025

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, 2025. 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, 2025

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 \$1,445,741 as of April 30, 2025. 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 (capital 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, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
			Change
	2025	2024	Positive (Negative)
Current and Other Assets	\$ 1,240,542	\$ 802,654	\$ 437,888
Capital Assets (Net of Accumulated Depreciation)	<u>22,960,886</u>	<u>20,733,072</u>	<u>2,227,814</u>
Total Assets	<u>\$ 24,201,428</u>	<u>\$ 21,535,726</u>	<u>\$ 2,665,702</u>
Due to Developer	\$ 22,955,503	\$ 20,194,991	\$ (2,760,512)
Long -Term Liabilities	2,588,374	2,637,743	49,369
Other Liabilities	<u>103,292</u>	<u>98,675</u>	<u>(4,617)</u>
Total Liabilities	<u>\$ 25,647,169</u>	<u>\$ 22,931,409</u>	<u>\$ (2,715,760)</u>
Net Position:			
Net Investment in Capital Assets	\$ (2,268,752)	\$ (1,785,345)	\$ (483,407)
Restricted	605,115	184,949	420,166
Unrestricted	<u>217,896</u>	<u>204,713</u>	<u>13,183</u>
Total Net Position	<u>\$ (1,445,741)</u>	<u>\$ (1,395,683)</u>	<u>\$ (50,058)</u>
		*	

The following table provides a comparative analysis of the District's operations for the year ended April 30, 2025, and April 30, 2024. The District's net position decreased by \$50,058.

	<u>Summary of Changes in the Statement of Activities</u>		
			Change
	2025	2024	Positive (Negative)
Revenues:			
Property Taxes	\$ 898,544	\$ 504,729	\$ 393,815
Other Revenues	<u>50,474</u>	<u>39,775</u>	<u>10,699</u>
Total Revenues	<u>\$ 949,018</u>	<u>\$ 544,504</u>	<u>\$ 404,514</u>
Expenses for Services	<u>999,076</u>	<u>910,352</u>	<u>(88,724)</u>
Change in Net Position	\$ (50,058)	\$ (365,848)	\$ 315,790
Net Position, Beginning of Year	<u>(1,395,683)</u>	<u>(1,029,835)</u>	<u>(365,848)</u>
Net Position, End of Year	<u>\$ (1,445,741)</u>	<u>\$ (1,395,683)</u>	<u>\$ (50,058)</u>
		*	

*As Adjusted, see Note 11

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of April 30, 2025, were \$1,160,727, an increase of \$418,863 from the prior year.

The District's General Fund fund balance increased by \$10,940, primarily due to property tax revenues exceeding operating costs and capital outlay.

The Debt Service Fund fund balance increased by \$408,001, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund decreased by \$78, 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 \$22,251 more than budgeted revenues, actual expenditures were \$121,279 more than budgeted expenditures which resulted in a negative variance of \$99,028. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of April 30, 2025, total \$22,960,886 and include detention facilities which the District is responsible for maintaining, as well as the water and wastewater systems. Additional information on the District's capital assets can be found in Note 6.

	Capital Assets At Year-End, Net of Accumulated Depreciation			Change Positive (Negative)
	2025	2024		
Capital Assets, Net of Accumulated Depreciation:				
Water System	\$ 3,217,322	\$ 2,780,727		\$ 436,595
Wastewater System	4,179,111	3,355,873		823,238
Detention Facilities	<u>15,564,453</u>	<u>14,596,472</u>		<u>967,981</u>
Total Net Capital Assets	<u>\$ 22,960,886</u>	<u>\$ 20,733,072</u>		<u>\$ 2,227,814</u>
			*	

*As Adjusted, see Note 11

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2025

CAPITAL ASSETS (Continued)

The District is located within the city limits of the City of Houston (the “City”). In accordance with the Utility Functions and Service 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 conveyed facilities and is responsible for the maintenance. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

LONG-TERM DEBT ACTIVITY

As of April 30, 2025, the District had total bond debt payable in the principal amount of \$2,655,000. The changes in the debt position of the District during the fiscal year ended April 30, 2025, are summarized as follows:

Bond Debt Payable, May 1, 2024	\$ 2,705,000
Less: Bond Principal Paid	<u>50,000</u>
Bond Debt Payable, April 30, 2025	<u>\$ 2,655,000</u>

The District's Series 2021 bonds are not insured; however, the District carries an underlying rating of Baa3.

The District has recorded a liability to the Developer of \$22,955,503 for costs paid by the Developer including the construction of District facilities in Wayside Village, Sections 1, 4, 5, 6, 9, 11, 12, 13 and 14 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, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 3,517	\$ 43,774
Investments	363,971	589,150
Receivables:		
Property Taxes	19,763	20,607
Penalty and Interest on Delinquent Taxes		
Due from Other Funds	24,550	
Prepaid Costs	3,714	
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 415,515</u>	<u>\$ 653,531</u>
LIABILITIES		
Accounts Payable	\$ 28,910	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		24,550
Due to Taxpayers		2,428
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 28,910</u>	<u>\$ 26,978</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 19,763</u>	<u>\$ 20,607</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 3,714	\$
Restricted for Authorized Construction		
Restricted for Debt Service		605,946
Assigned to 2026 Budget Deficit	14,269	
Unassigned	<u>348,859</u>	
TOTAL FUND BALANCES	<u>\$ 366,842</u>	<u>\$ 605,946</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 415,515</u>	<u>\$ 653,531</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
\$ 378 188,077	\$ 47,669 1,141,198	\$ 40,370 24,550 3,714	\$ 47,669 1,141,198 40,370 7,591 (24,550) 3,714 22,960,886 \$ 22,943,927 22,960,886 \$ 24,201,428
<u>\$ 188,455</u>	<u>\$ 1,257,501</u>		
\$ 516	\$ 29,426	\$ 21,438 22,955,503 24,550 2,428	\$ 29,426 21,438 22,955,503 2,428
		50,000 2,588,374	50,000 2,588,374
<u>\$ 516</u>	<u>\$ 56,404</u>	<u>\$ 25,590,765</u>	<u>\$ 25,647,169</u>
<u>\$ -0-</u>	<u>\$ 40,370</u>	<u>\$ (40,370)</u>	<u>\$ -0-</u>
\$ 187,939	\$ 3,714 187,939 605,946 14,269 348,859	\$ (3,714) (187,939) (605,946) (14,269) (348,859)	\$
<u>\$ 187,939</u>	<u>\$ 1,160,727</u>	<u>\$ (1,160,727)</u>	<u>\$ -0-</u>
<u>\$ 188,455</u>	<u>\$ 1,257,501</u>		
		\$ (2,268,752) 605,115 217,896	\$ (2,268,752) 605,115 217,896
		<u>\$ (1,445,741)</u>	<u>\$ (1,445,741)</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, 2025

Total Fund Balances - Governmental Funds	\$ 1,160,727
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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.

22,960,886

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.

47,961

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	\$ (22,955,503)
Accrued Interest Payable	(21,438)
Bonds Payable Within One Year	(50,000)
Bonds Payable After One Year	<u>(2,588,374)</u>
	<u>(25,615,315)</u>
Total Net Position - Governmental Activities	<u>\$ (1,445,741)</u>

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

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, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 350,241	\$ 537,335
Penalty and Interest		7,593
Investment Revenues	13,236	13,370
Miscellaneous Revenues	<u>3,858</u>	<u>20</u>
TOTAL REVENUES	\$ 367,335	\$ 558,318
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 98,154	\$ 1,537
Contracted Services	23,285	19,538
Repairs and Maintenance	134,726	
Depreciation/Amortization		
Other	23,867	3,847
Capital Outlay	3,900	
Debt Service:		
Bond Principal		50,000
Bond Interest		75,395
Bond Issuance Costs	<u>72,463</u>	
TOTAL EXPENDITURES/EXPENSES	\$ 356,395	\$ 150,317
NET CHANGE IN FUND BALANCES	\$ 10,940	\$ 408,001
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
MAY 1, 2024, AS REPORTED	355,902	197,945
CHANGE DUE TO NEW ACCOUNTING GUIDANCE		
MAY 1, 2024, AS RESTATED	\$ 355,902	\$ 197,945
FUND BALANCES/NET POSITION -		
APRIL 30, 2025	\$ 366,842	\$ 605,946

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 9,388	\$ 887,576	\$ 10,968	\$ 898,544
	7,593	3,009	10,602
	35,994		35,994
	3,878		3,878
<u>\$ 9,388</u>	<u>\$ 935,041</u>	<u>\$ 13,977</u>	<u>\$ 949,018</u>
 \$ 9,107	 \$ 108,798	 \$	 \$ 108,798
	42,823		42,823
	134,726		134,726
		536,597	536,597
359	28,073		28,073
	3,900	(3,900)	
	50,000	(50,000)	
	75,395	201	75,596
	72,463		72,463
<u>\$ 9,466</u>	<u>\$ 516,178</u>	<u>\$ 482,898</u>	<u>\$ 999,076</u>
\$ (78)	\$ 418,863	\$ (418,863)	\$
		(50,058)	(50,058)
188,017	741,864	(2,208,444)	(1,466,580)
		<u>70,897</u>	<u>70,897</u>
<u>\$ 188,017</u>	<u>\$ 741,864</u>	<u>\$ (2,137,547)</u>	<u>\$ (1,395,683)</u>
<u>\$ 187,939</u>	<u>\$ 1,160,727</u>	<u>\$ (2,606,468)</u>	<u>\$ (1,445,741)</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, 2025

Net Change in Fund Balances - Governmental Funds	\$ 418,863
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.	10,968
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.	3,009
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(536,597)
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.	3,900
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.	50,000
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.	<u>(201)</u>
Change in Net Position - Governmental Activities	<u>\$ (50,058)</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, 2025

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, 2025

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, 2025

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, 2025, the Debt Service Fund owes the General Fund \$24,550 for maintenance tax revenues.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 over periods ranging from 10 to 45 years.

Water facilities and wastewater facilities have been conveyed to the City of Houston, Texas (the “City”). The City operates and maintains the facilities for providing water, wastewater and drainage services to District residents. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94. See Note 8 for additional information.

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, 2025

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 has assigned \$14,269 of its General Fund fund balance to offset a 2026 budgeted deficit.

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, 2025

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, 2025	\$ 2,655,000
Interest Rates	2.00% - 3.00%
Maturity Date	September 1, 2025/2051
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, 2025

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities for the year ended April 30, 2025:

	May 1, 2024	Additions	Retirements	April 30, 2025
Bonds Payable	\$ 2,705,000	\$	\$ 50,000	\$ 2,655,000
Unamortized Discounts	(28,350)	\$	(1,036)	(27,314)
Unamortized Premiums	11,093	\$	405	10,688
Total Long-Term Liabilities	<u>\$ 2,687,743</u>	<u>\$ -0-</u>	<u>\$ 49,369</u>	<u>\$ 2,638,374</u>
			Amount Due Within One Year	\$ 50,000
			Amount Due After One Year	<u>2,588,374</u>
			Total Long-Term Liabilities	<u>\$ 2,638,374</u>

As of April 30, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
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
2031-2035	350,000	321,165	671,165
2036-2040	435,000	270,892	705,892
2041-2045	560,000	198,450	758,450
2046-2050	705,000	103,425	808,425
2051-2052	<u>325,000</u>	<u>9,825</u>	<u>334,825</u>
	<u>\$ 2,655,000</u>	<u>\$ 1,259,307</u>	<u>\$ 3,914,307</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, 2025, 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, 2025

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended April 30, 2025, the District levied an ad valorem debt service tax rate of \$0.49 per \$100 of taxable valuation, which resulted in a tax levy of \$547,678 on the adjusted taxable valuation of \$111,770,986 for the 2024 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 \$47,669 and the bank balance was \$48,492. 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, 2025

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, 2025, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 3,517
DEBT SERVICE FUND	43,774
CAPITAL PROJECTS FUND	<u>378</u>
TOTAL DEPOSITS	<u>\$ 47,669</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, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of April 30, 2025, 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	\$ 363,971	\$ 363,971
<u>DEBT SERVICE FUND</u>		
Texas CLASS	589,150	589,150
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>188,077</u>	<u>188,077</u>
TOTAL INVESTMENTS	<u>\$ 1,141,198</u>	<u>\$ 1,141,198</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At April 30, 2025, 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, 2025

NOTE 6. CAPITAL ASSETS

As of April 30, 2025, the District had the following capital assets:

Capital Assets Subject to Depreciation	May 1, 2024 *	Increases	Decreases	April 30, 2025
Water System	\$ 2,946,651	\$ 512,051	\$	\$ 3,458,702
Wastewater System	3,634,430	921,634		4,556,064
Detention Facilities	<u>15,137,704</u>	<u>1,330,726</u>		<u>16,468,430</u>
Total Capital Assets Subject to Depreciation	\$ 21,718,785	\$ 2,764,411	\$ - 0 -	\$ 24,483,196
Accumulated Depreciation				
Water System	\$ 165,924	\$ 75,456	\$	\$ 241,380
Wastewater System	278,557	98,396		376,953
Detention Facilities	<u>541,232</u>	<u>362,745</u>		<u>903,977</u>
Total Accumulated Depreciation	\$ 985,713	\$ 536,597	\$ - 0 -	\$ 1,522,310
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 20,733,072	\$ 2,227,814	\$ - 0 -	\$ 22,960,886

* As Adjusted, Note 11

In accordance with the Utility Functions and Services Allocation Agreement in Note 8, the District has constructed water and wastewater facilities needed to serve the land within its boundaries. The City has accepted conveyance of all the facilities constructed within the District. The City operates and maintains the facilities for providing water, wastewater and drainage services to District residents. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

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, 2025, the District levied an ad valorem maintenance tax rate of \$0.31 per \$100 of assessed valuation, which resulted in a tax levy of \$346,490 on the adjusted taxable valuation of \$111,770,986 for the 2024 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025

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 \$21,889,716 has been recorded for utility and road construction in Wayside Village, Sections 4, 5, 6, 9, 11, 12, 13, 14 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, \$22,955,503 has been recorded as due to Developers as of April 30, 2025.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025

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.

NOTE 11. CHANGE IN ACCOUNTING PRINCIPLE

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which the District was required to implement in the current fiscal year, certain assets conveyed to the City in prior years are now required to be classified as capital assets of the District. These assets will be depreciated over the estimated useful lives of the assets. The impact of this change in accounting principle resulted in an increase to prior period net position of \$70,897.

NOTE 12. SUBSEQUENT EVENT – BOND SALE

On May 29, 2025, subsequent to year end, the District's closed on the sale of its Series 2025 Unlimited Tax Bonds in the amount of \$9,250,000. The District used proceeds from the bond sale, plus \$190,505 in available surplus funds, to reimburse the Developer for construction and engineering costs related to the Mass Grading and Detention Basin Facilities to serve Wayside Village East Detention Facilities, the Detention Basin and Channel Improvement Facilities to serve Wayside Village West Detention Facilities, and clearing and grubbing to serve Wayside Village East Phase 1, Wayside Village Phase 1A and Wayside Village Phase 1B. In addition, proceeds were used to fund capitalized interest and to pay the issuance costs of the bonds.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

REQUIRED SUPPLEMENTARY INFORMATION

APRIL 30, 2025

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, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 339,816	\$ 350,241	\$ 10,425
Investment and Miscellaneous Revenues	<u>5,268</u>	<u>13,236</u>	<u>7,968</u>
TOTAL REVENUES	<u>\$ 345,084</u>	<u>\$ 367,335</u>	<u>\$ 22,251</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 76,500	\$ 98,154	\$ (21,654)
Contracted Services	19,800	23,285	(3,485)
Repairs and Maintenance	109,176	134,726	(25,550)
Other	29,640	96,330	(66,690)
Capital Outlay	<u> </u>	<u>3,900</u>	<u>(3,900)</u>
TOTAL EXPENDITURES	<u>\$ 235,116</u>	<u>\$ 356,395</u>	<u>\$ (121,279)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 109,968</u>	<u>\$ 10,940</u>	<u>\$ (99,028)</u>
FUND BALANCE - MAY 1, 2024	<u>355,902</u>	<u>355,902</u>	<u> </u>
FUND BALANCE - APRIL 30, 2025	<u>\$ 465,870</u>	<u>\$ 366,842</u>	<u>\$ (99,028)</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

APRIL 30, 2025

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2025

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

<u>N/A</u>	Retail Water	<u>N/A</u>	Wholesale Water	<u>X</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
	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.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
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, 2025

2. RETAIL SERVICE PROVIDERS (Continued)

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

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	_____	_____	x 1.0	_____
<u>$\leq \frac{3}{4}$"</u>	_____	_____	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	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>
Total Wastewater Connections	<u>N/A</u>	<u>N/A</u>	x 1.0	<u>N/A</u>

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, 2025

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, 2025

PROFESSIONAL FEES:

Auditing	\$ 14,750
Engineering	27,066
Legal	<u>56,338</u>

TOTAL PROFESSIONAL FEES \$ 98,154

CONTRACTED SERVICES:

Bookkeeping \$ 23,285

REPAIRS AND MAINTENANCE \$ 134,726

ADMINISTRATIVE EXPENDITURES:

Director Fees	\$ 11,050
Insurance	5,051
Office Supplies and Postage	2,715
Payroll Taxes	845
Travel and Meetings	501
Other	<u>3,705</u>

TOTAL ADMINISTRATIVE EXPENDITURES \$ 23,867

TOTAL CAPITAL OUTLAY \$ 3,900

BOND ISSUANCE COSTS \$ 72,463

TOTAL EXPENDITURES \$ 356,395

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
INVESTMENTS
APRIL 30, 2025

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 363,971	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0004	Varies	Daily	\$ 589,150	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 188,077	\$ - 0 -
TOTAL - ALL FUNDS				\$ 1,141,198	\$ - 0 -

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2025

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
MAY 1, 2024	\$ 20,529		\$ 8,873	
Adjustments to Beginning Balance	<u>2,985</u>	\$ 23,514	<u>1,391</u>	\$ 10,264
Original 2024 Tax Levy	\$ 318,852		\$ 503,991	
Adjustment to 2024 Tax Levy	<u>27,638</u>	<u>346,490</u>	<u>43,687</u>	<u>547,678</u>
TOTAL TO BE ACCOUNTED FOR		\$ 370,004		\$ 557,942
TAX COLLECTIONS:				
Prior Years	\$ 14,450		\$ 6,568	
Current Year	<u>335,791</u>	<u>350,241</u>	<u>530,767</u>	<u>537,335</u>
TAXES RECEIVABLE -				
APRIL 30, 2025		<u>\$ 19,763</u>		<u>\$ 20,607</u>
TAXES RECEIVABLE BY				
YEAR:				
2024	\$ 10,699		\$ 16,911	
2023	6,602		3,001	
2022	894		695	
2021	1,233			
2020	269			
2019	<u>66</u>			
TOTAL	<u>\$ 19,763</u>			<u>\$ 20,607</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2025

	2024	2023	2022	2021
PROPERTY VALUATIONS:				
Land	\$ 33,935,389	\$ 23,409,760	\$ 15,369,766	\$ 11,684,953
Improvements	82,567,367	45,070,630	28,378,693	23,046,849
Personal Property	680,909	426,833	392,733	280,541
Exemptions	<u>(5,412,679)</u>	<u>(5,865,396)</u>	<u>(4,904,722)</u>	<u>(2,809,647)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 111,770,986</u>	<u>\$ 63,041,827</u>	<u>\$ 39,236,470</u>	<u>\$ 32,202,696</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.49	\$ 0.25	\$ 0.35	\$ 0.00
Maintenance	<u>0.31</u>	<u>0.55</u>	<u>0.45</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>\$ 894,168</u>	<u>\$ 504,334</u>	<u>\$ 313,893</u>	<u>\$ 257,621</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>96.91 %</u>	<u>98.10 %</u>	<u>99.49 %</u>	<u>99.52 %</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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2025

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
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>\$ 2,655,000</u>	<u>\$ 1,259,307</u>	<u>\$ 3,914,307</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, 2025

Description	Original Bonds Issued	Bonds Outstanding May 1, 2024
Harris County Municipal Utility District No. 439 Unlimited Tax Bonds - Series 2021	<u>\$ 2,750,000</u>	<u>\$ 2,705,000</u>
 Bond Authority:		
Amount Authorized by Voters	\$ 41,000,000	\$ 26,000,000
Amount Issued	<u>2,750,000</u>	<u> </u>
Remaining to be Issued	<u>\$ 38,250,000</u>	<u>\$ 26,000,000</u>
	*	\$ - 0 -
 Debt Service Fund cash, investments and cash with paying agent balances as of April 30, 2025:		<u>\$ 632,924</u>
 Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 144,974</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

Bonds Sold	Retirements		Bonds Outstanding April 30, 2025	Paying Agent
	Principal	Interest		
\$ - 0 -	\$ 50,000	\$ 75,395	\$ 2,655,000	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			
	2025	2024	2023	2022
REVENUES				
Property Taxes	\$ 350,241	\$ 333,007	\$ 177,946	\$ 258,219
Penalty and Interest				2,676
Investment Revenues	13,236	13,985	9,730	397
Miscellaneous Revenues	<u>3,858</u>	<u> </u>	<u> </u>	<u>50</u>
TOTAL REVENUES	<u><u>\$ 367,335</u></u>	<u><u>\$ 346,992</u></u>	<u><u>\$ 187,676</u></u>	<u><u>\$ 261,342</u></u>
EXPENDITURES				
Professional Fees	\$ 98,154	\$ 111,127	\$ 143,276	\$ 132,200
Contracted Services	23,285	22,085	19,220	28,315
Repairs and Maintenance	134,726	109,226	32,501	32,501
Other	96,330	50,665	20,279	22,266
Capital Outlay	<u>3,900</u>	<u>36,802</u>	<u>22,600</u>	<u> </u>
TOTAL EXPENDITURES	<u><u>\$ 356,395</u></u>	<u><u>\$ 329,905</u></u>	<u><u>\$ 237,876</u></u>	<u><u>\$ 215,282</u></u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ 10,940</u></u>	<u><u>\$ 17,087</u></u>	<u><u>\$ (50,200)</u></u>	<u><u>\$ 46,060</u></u>
OTHER FINANCING SOURCES (USES)				
Developer Contributions	<u><u>\$ -0-</u></u>	<u><u>\$ 36,802</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>
NET CHANGE IN FUND BALANCE	<u><u>\$ 10,940</u></u>	<u><u>\$ 53,889</u></u>	<u><u>\$ (50,200)</u></u>	<u><u>\$ 46,060</u></u>
BEGINNING FUND BALANCE	<u><u>355,902</u></u>	<u><u>302,013</u></u>	<u><u>352,213</u></u>	<u><u>306,153</u></u>
ENDING FUND BALANCE	<u><u>\$ 366,842</u></u>	<u><u>\$ 355,902</u></u>	<u><u>\$ 302,013</u></u>	<u><u>\$ 352,213</u></u>

See accompanying independent auditor's report.

Percentage of Total Revenues						
2021	2025	2024	2023	2022	2021	
\$ 231,891	95.3 %	96.0 %	94.8 %	98.8 %	99.7 %	
100				1.0		
602	3.6	4.0	5.2	0.2	0.3	
61	1.1					
<u>\$ 232,654</u>	<u>100.0</u> %					
\$ 109,610	26.7 %	32.0 %	76.3 %	50.6 %	47.1 %	
18,847	6.3	6.4	10.2	10.8	8.1	
47,430	36.7	31.5	17.3	12.4	20.4	
21,953	26.2	14.6	10.8	8.5	9.4	
	1.1	10.6	12.0			
<u>\$ 197,840</u>	<u>97.0</u> %	<u>95.1</u> %	<u>126.6</u> %	<u>82.3</u> %	<u>85.0</u> %	
\$ 34,814	3.0 %	4.9 %	(26.6) %	17.7 %	15.0 %	
\$ -0-						
\$ 34,814						
<u>271,339</u>						
<u>\$ 306,153</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			
	2025	2024	2023	2022
REVENUES				
Property Taxes	\$ 537,335	\$ 150,367	\$ 135,865	
Penalty and Interest	7,593	5,348	3,697	
Interest on Investments	13,370	7,820	4,198	
Miscellaneous Revenues	<u>20</u>	<u>40</u>	<u>145</u>	<u>131</u>
TOTAL REVENUES	<u>\$ 558,318</u>	<u>\$ 163,575</u>	<u>\$ 143,905</u>	<u>\$ 131</u>
EXPENDITURES				
Tax Collection Expenditures	\$ 24,097	\$ 18,911	\$ 15,606	\$ 95
Debt Service Principal	50,000	45,000		
Debt Service Interest and Fees	<u>76,220</u>	<u>77,570</u>	<u>100,848</u>	
TOTAL EXPENDITURES	<u>\$ 150,317</u>	<u>\$ 141,481</u>	<u>\$ 116,454</u>	<u>\$ 95</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 408,001</u>	<u>\$ 22,094</u>	<u>\$ 27,451</u>	<u>\$ 36</u>
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u> </u>	\$ <u>148,364</u>
NET CHANGE IN FUND BALANCE	<u>\$ 408,001</u>	<u>\$ 22,094</u>	<u>\$ 27,451</u>	<u>\$ 148,400</u>
BEGINNING FUND BALANCE	<u>\$ 197,945</u>	<u>\$ 175,851</u>	<u>\$ 148,400</u>	
ENDING FUND BALANCE	<u>\$ 605,946</u>	<u>\$ 197,945</u>	<u>\$ 175,851</u>	<u>\$ 148,400</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					
2021	2025	2024	2023	2022	2021
96.2 %	91.9 %	94.4 %	94.4 %	96.2 %	96.2 %
1.4	3.3	2.6	2.6	1.4	1.4
2.4	4.8	2.9	2.9	2.4	2.4
		0.1	0.1	100.0	100.0
<u>N/A</u>	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %	<u>N/A</u> %
4.3 %	11.6 %	10.8 %	72.5 %	4.3 %	4.3 %
9.0	27.5	70.1	72.5	9.0	9.0
<u>13.7</u>	<u>47.4</u>	<u>70.1</u>	<u>72.5</u>	<u>13.7</u>	<u>47.4</u>
<u>N/A</u>	<u>27.0</u> %	<u>86.5</u> %	<u>80.9</u> %	<u>72.5</u> %	<u>N/A</u> %
<u>N/A</u>	<u>73.0</u> %	<u>13.5</u> %	<u>19.1</u> %	<u>27.5</u> %	<u>N/A</u> %
<u>N/A</u>					
<u>N/A</u>					
<u>N/A</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2025

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 <u>April 30, 2025</u>	Expense Reimbursements for the year ended <u>April 30, 2025</u>	Title
Adam Kramer	05/22 - 05/26 (Elected)	\$ 1,989	\$ 33	President
Jonathan Reichek	05/24 - 05/28 (Elected)	\$ 1,989	\$ -0-	Vice President
Nancy Zimmerman	05/22 - 05/26 (Elected)	\$ 2,210	\$ 184	Secretary
Bonny Beasley	05/24 - 05/28 (Elected)	\$ 2,210	\$ -0-	Assistant Vice President/ Assistant Secretary
Steven Burgess	05/22 - 05/26 (Elected)	\$ 2,652	\$ 285	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: August 14, 2025

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, 2025

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended April 30, 2025</u>		<u>Title</u>
		\$	\$	
Allen Boone Humphries Robinson LLP	03/07/06	\$ 65,444		Attorney
McCall Gibson Swedlund Barfoot Ellis PLLC	04/12/07	\$ 14,750 \$ 2,500		Auditor Bond Related
McLennan & Associates, LP	05/17/06	\$ 26,685		Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/09/07	\$ 1,537		Delinquent Tax Attorney
IDS Engineering Group	05/17/06	\$ 27,066 \$ 67,552		Engineer Bond Related
Rathmann & Associates, L.P.	05/17/06	\$ -0-		Financial Advisor
Jorge Diaz	02/09/17	\$ -0-		Investment Officer
Bob Leared Interests	05/17/06	\$ 14,972		Tax Assessor/ Collector

See accompanying independent auditor's report.