HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 4

(Harris and Waller Counties, Texas)

PRELIMINARY OFFICIAL STATEMENT

DATED: JUNE 25, 2026

$26,255,000

CONTRACT REVENUE BONDS

SERIES 2026

$5,380,000

CONTRACT REVENUE ROAD BONDS

SERIES 2026

BIDS TO BE SUBMITTED BY: 9:30 A.M., CENTRAL TIME

THURSDAY, JULY 16, 2026

BONDS TO BE AWARDED: 2:00 P.M., CENTRAL TIME

THURSDAY, JULY 16, 2026

CEDAR CREEK
MUNICIPAL ADVISORS

Financial Advisor

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 25, 2026

This Preliminary Official Statement is subject to completion and amendment and is intended for the solicitation of initial bids to purchase the Bonds (herein defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchasers (herein defined).

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The Bonds will not be designated "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book Entry Only — Moody's Ratings (Underlying) ...."Baa1"

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 4

(A Political Subdivision of the State of Texas, located within Harris and Waller Counties)

$26,255,000	$5,380,000
Contract Revenue Bonds	**Contract Revenue Road Bonds**
Series 2026	**Series 2026**

Dated: August 1, 2026
Interest Accrues From: Date of Delivery — Due: November 1, as shown on inside cover

The $26,255,000 Contract Revenue Bonds, Series 2026 (the "System Bonds"), and the $5,380,000 Contract Revenue Road Bonds, Series 2026 (the "Road Bonds," and together with the System Bonds, the "Bonds"), are special obligations of Harris-Waller Counties Municipal Utility District No. 4 (the "Regional District") payable solely from and to the extent of payments contractually required of Harris-Waller Counties Municipal Utility District No. 4, Harris-Waller Counties Municipal Utility District No. 5, Waller County Municipal Utility District No. 37, Harris County Municipal Utility District No. 569, and Waller County Municipal Utility District No. 35 (collectively, the "Participants") within the Service Area (herein defined) from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant on all taxable property within the boundaries of each respective Participant or from other revenues lawfully available to such Participant (the "Contract Payments"). Payment of the Contract Payments by the Participants and use of such proceeds by the Regional District to pay debt service on the Bonds is governed by the Regional District Contract (herein defined) as described more fully under "REGIONAL DISTRICT CONTRACT." The Bonds are special obligations of the Regional District payable solely from the Contract Payments and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Houston, Texas; any of the Participants (except the Regional District); or any entity other than the Regional District.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are dated August 1, 2026 (the "Dated Date"), and will accrue interest from the initial date of delivery, which is expected to be on or about August 25, 2026 (the "Date of Delivery"), with interest payable May 1, 2027, and on each November 1 and May 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on inside cover.

The Bonds, when issued, will constitute valid and legally binding obligations of the Regional District and each series will be payable from the Contract Payments, as further described herein. See "THE BONDS – Source of Payment."

Investment in the Bonds is subject to certain Investment Considerations as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as and if issued by the Regional District and accepted by the winning bidders for the Bonds (the "Initial Purchasers"), subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about August 25, 2026.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS

$26,255,000 Contract Revenue Bonds, Series 2026

Maturity (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. ________ (b)	Maturity (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. ________ (b)
2028	$570,000	___	___	___	2041 (c)	$1,040,000	___	___	___
2029	595,000	___	___	___	2042 (c)	1,090,000	___	___	___
2030	625,000	___	___	___	2043 (c)	1,140,000	___	___	___
2031	655,000	___	___	___	2044 (c)	1,195,000	___	___	___
2032 (c)	685,000	___	___	___	2045 (c)	1,255,000	___	___	___
2033 (c)	720,000	___	___	___	2046 (c)	1,310,000	___	___	___
2034 (c)	750,000	___	___	___	2047 (c)	1,375,000	___	___	___
2035 (c)	790,000	___	___	___	2048 (c)	1,440,000	___	___	___
2036 (c)	825,000	___	___	___	2049 (c)	1,510,000	___	___	___
2037 (c)	865,000	___	___	___	2050 (c)	1,580,000	___	___	___
2038 (c)	905,000	___	___	___	2051 (c)	1,655,000	___	___	___
2039 (c)	950,000	___	___	___	2052 (c)	1,735,000	___	___	___
2040 (c)	995,000	___	___	___					

$5,380,000 Contract Revenue Road Bonds, Series 2026

Maturity (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. ________ (b)	Maturity (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. ________ (b)
2028	$115,000	___	___	___	2041 (c)	$215,000	___	___	___
2029	120,000	___	___	___	2042 (c)	225,000	___	___	___
2030	130,000	___	___	___	2043 (c)	235,000	___	___	___
2031	135,000	___	___	___	2044 (c)	245,000	___	___	___
2032 (c)	140,000	___	___	___	2045 (c)	255,000	___	___	___
2033 (c)	145,000	___	___	___	2046 (c)	270,000	___	___	___
2034 (c)	155,000	___	___	___	2047 (c)	280,000	___	___	___
2035 (c)	160,000	___	___	___	2048 (c)	295,000	___	___	___
2036 (c)	170,000	___	___	___	2049 (c)	310,000	___	___	___
2037 (c)	175,000	___	___	___	2050 (c)	325,000	___	___	___
2038 (c)	185,000	___	___	___	2051 (c)	340,000	___	___	___
2039 (c)	195,000	___	___	___	2052 (c)	355,000	___	___	___
2040 (c)	205,000	___	___	___					

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers will be assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) Bonds maturing on November 1, 2032, and thereafter, shall be subject to redemption and payment at the option of the Regional District, in whole or from time to time in part on November 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities Exchange Commission ("Rule 15c2-12"), as amended, and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the Regional District with respect to the Bonds that has been deemed "final" by the Regional District as of its date except for the omission of no more than information permitted by Rule 15c2-12.

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a "final official statement" of the Regional District with respect to the Bonds, as such term is defined in Rule 15c2-12.

No dealer, broker, salesman or other person has been authorized to give any information, or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Regional District or the Initial Purchasers.

All of the summaries of the statutes, resolutions, orders, contracts, audits, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Regional District or other matters described herein since the date hereof. The Regional District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the Regional District and to the extent such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Initial Purchasers and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the System Bonds, the Regional District has accepted the bid resulting in the lowest net effective interest rate to the Regional District, which was tendered by __________________________________ (the "System Bond Initial Purchaser") to purchase the System Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of ____________% of the par value thereof, which resulted in a net effective interest rate of _________%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Road Bonds, the Regional District has accepted the bid resulting in the lowest net effective interest rate to the Regional District, which was tendered by __________________________________ (the "Road Bond Initial Purchaser," and together with the System Bond Initial Purchaser, the "Initial Purchasers") to purchase the Road Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of ____________% of the par value thereof, which resulted in a net effective interest rate of _________%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The Regional District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

The delivery of the Bonds is conditioned upon the receipt by the Regional District of a certificate executed and delivered by the Initial Purchasers on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, dealer, or similar person or organization acting in the capacity of underwriter or wholesaler. Otherwise, the Regional District has no understanding with the Initial Purchasers regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchasers.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchasers after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission ("SEC") under the Securities Act of 1933 in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The Regional District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

Delivery of Official Statements

The Regional District shall furnish to the Initial Purchasers (and to each participating underwriter of the Bonds, within the meaning of the Rule, designated by the Initial Purchasers), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the Regional District and the Initial Purchasers. The Regional District also shall furnish to the Initial Purchasers a like number of any supplements or amendments approved and authorized for distribution by the Regional District for dissemination to potential underwriters of the Bonds, as well as such additional copies of this Official Statement or any such supplements or amendments as the Initial Purchasers may reasonably request prior to the 90th day after the end of the underwriting period described in Rule 15C2-12. The Regional District shall pay the expense of preparing the number of copies of this Official Statement agreed upon between the Regional District and the Initial Purchasers and an equal number of any supplements or amendments issued on or before the delivery date, but the Initial Purchasers shall pay for all other copies of this Official Statement or any supplement or amendment thereto.

MUNICIPAL BOND INSURANCE

The Regional District has made separate applications for a commitment to provide municipal bond insurance for each series of the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurers, will be at the option and expense of the respective Initial Purchaser.

MUNICIPAL BOND RATING

Moody's Ratings ("Moody's") has assigned an underlying rating of "Baa1" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the underlying rating may have an adverse effect on the market price of the Bonds.

The Regional District is not aware of any rating assigned the Bonds other than the rating discussed above.

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OFFICIAL STATEMENT SUMMARY

The following is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein. A full review should be made of this entire Official Statement and of the documents summarized or described herein.

THE BONDS

The Issuer	Harris-Waller Counties Municipal Utility District No. 4 (the "Regional District" or, in its capacity as a Participant (herein defined), "MUD 4"), a political subdivision of the State of Texas, is located partially in Harris County, Texas and partially in Waller County, Texas. See "THE REGIONAL DISTRICT."
The Bonds	The $26,255,000 Contract Revenue Bonds, Series 2026 (the "System Bonds"), and the $5,380,000 Contract Revenue Road Bonds, Series 2026 (the "Road Bonds," and together with the System Bonds, the "Bonds"), are dated August 1, 2026, and mature on November 1 in the years and in the principal amounts as shown on the inside cover page hereof. The Bonds will accrue interest from the initial date of delivery, which is expected to be on or about August 25, 2026 (the "Date of Delivery"), with interest payable May 1, 2027, and on each November 1 and May 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."
Redemption of the Bonds	The Bonds that mature on and after November 1, 2032, are subject to redemption, in whole or from time to time in part, on November 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Source of Payment	Principal of and interest on each series of the Bonds is payable from and secured by payments required of the Participants (herein defined) within the Service Area (herein defined) from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant on all taxable property within the boundaries of each respective Participant or from other revenues lawfully available to such Participant (the "Contract Payments"). The Regional District has established a debt service fund to pay the principal of and interest on the Contract Revenue System Bonds (herein defined), such as the System Bonds (the "Contract Revenue System Debt Service Fund"). The Regional District has also established a debt service fund (the "Contract Revenue Road Debt Service Fund") to pay the principal of and interest on the Contract Revenue Road Bonds (herein defined), such as the Road Bonds. Contract Payments from the Participants and use of such proceeds by the Regional District to pay debt service on the Bonds is governed by the Contract for Financing, Operation, and Maintenance of Regional Facilities (the "Regional District Contract") which has been entered into by the Regional District and the Participants. By execution of the Regional District Contract, each Participant has agreed to pay a pro rata share of the debt service on the Contract Revenue Bonds (herein defined), including the

Bonds and the Outstanding Bonds (herein defined), which share is based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the "Gross Certified Assessed Valuation") of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually.

Each Participant is contractually obligated to make the Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful sources of such Participant's income. No Participant is liable for the payments owed by any other Participant; however, failure of any Participant to make its Contract Payment, as required by the Regional District Contract, could result in an increase in the Contract Payment amount paid by each of the Participants during the time that such Participant's payment is delinquent, as the Participants would have to replenish its respective coverage in the Regional District debt service fund.

The Bonds are special obligations of the Regional District and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Houston, Texas; any of the Participants (except the Regional District in its capacity as the Regional District); or any entity other than the Regional District. See "THE BONDS – Source of Payment," "THE BONDS – Unconditional Obligation to Pay," and "REGIONAL DISTRICT CONTRACT."

Authority for Issuance... The System Bonds are issued by the Regional District pursuant to the Regional District Contract approved by the voters of each Participant; the terms and conditions of the bond resolution authorizing the issuance of the System Bonds (the "System Bond Resolution") adopted by the Board of Directors of the Regional District (the "Board") on the date of sale of the System Bonds; an order of the Texas Commission on Environmental Quality (the "TCEQ"); an election held within the Regional District and passed by a majority of the participating voters; House Bill No. 4520, an act of the 86th Legislature, Regular Session, effective May 21, 2019, and codified as Chapter 8047 of the Special District Local Laws Code (the "Act"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

The Road Bonds are issued by the Regional District pursuant to the Regional District Contract approved by the voters of each Participant; the terms and conditions of the bond resolution authorizing the issuance of the Road Bonds (the "Road Bond Resolution," and together with the System Bond Resolution, the "Bond Resolutions") adopted by the Board on the date of sale of the Road Bonds; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas; the Act; and an election held within the Regional District and passed by a majority of the participating voters. See "THE BONDS – Authority for Issuance," "THE BONDS – Issuance of Additional Debt," "REGIONAL DISTRICT CONTRACT," and "INVESTMENT CONSIDERATIONS – Future Debt."

Payment Record.. The Regional District has never defaulted on the timely payment of debt service due on its bonded indebtedness.

Outstanding Bonds	The Regional District has previously issued eight (8) series of contract revenue bonds for financing Regional District Facilities (herein defined) as follows: $12,480,000 Contract Revenue Bonds, Series 2022, $10,400,000 Contract Revenue Road Bonds, Series 2022, $14,250,000 Contract Revenue Bonds, Series 2023, $16,085,000 Contract Revenue Road Bonds, Series 2023, $15,770,000 Contract Revenue Bonds, Series 2024, $16,395,000 Contract Revenue Road Bonds, Series 2024, $17,425,000 Contract Revenue Bonds, Series 2025, and $16,135,000 Contract Revenue Road Bonds, Series 2025. As of the Date of Delivery, $117,365,000 principal amount of such prior issuances of bonds by the Regional District will remain outstanding (the "Outstanding Bonds").
Short-Term Debt	The Regional District issued its $14,560,000 Bond Anticipation Note, Series 2025 (the "BAN"), dated November 26, 2025. The BAN matures on November 25, 2026, and accrues interest at a rate of 4.65% per annum, calculated on the basis of actual days elapsed. The Regional District will use a portion of the proceeds from the sale of the System Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse Astro Sunterra (herein defined) and KB Home Lone Star (herein defined) for a portion of the improvements and related costs shown under "THE BONDS – Use and Distribution of System Bond Proceeds."
Use of Proceeds of System Bonds	Proceeds from the sale of the System Bonds will be used by the Regional District to redeem the BAN, the proceeds of which will be used to reimburse Astro Sunterra and KB Home Lone Star for a portion of the improvements and related costs as shown under "THE BONDS – Use and Distribution of System Bond Proceeds." Additionally, proceeds from the sale of the System Bonds will also be used to reimburse Astro Sunterra for the improvements and related costs that were not reimbursed by the BAN and to pay twelve (12) months of capitalized interest, developer interest, BAN interest, and other certain costs associated with the issuance of the System Bonds. See "THE BONDS – Use and Distribution of System Bond Proceeds."
Use of Proceeds of Road Bonds	Proceeds from the sale of the Road Bonds will be used by the Regional District to reimburse Astro Sunterra for the costs of road improvements and related costs as set forth under "THE BONDS – Use and Distribution of Road Bond Proceeds." Additionally, proceeds from the sale of the Road Bonds will be used to pay for twelve (12) months of capitalized interest, developer interest, and other certain costs associated with the issuance of the Road Bonds. See "THE BONDS – Use and Distribution of Road Bond Proceeds."
Not Qualified Tax-Exempt Obligations	The Bonds will not be designated "qualified tax-exempt obligations" for financial institutions.
Municipal Bond Insurance	The Regional District has made separate applications for a commitment to provide municipal bond insurance for each series of the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurers, will be at the option and expense of the respective Initial Purchaser. See "MUNICIPAL BOND INSURANCE" above.
Municipal Bond Rating	Moody's Ratings has assigned an underlying rating of "Baa1" to the Bonds. See "MUNICIPAL BOND RATING."
Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Cedar Creek Municipal Advisors, LLC, Houston, Texas.
Regional District Engineer	Quiddity Engineering, LLC, Houston, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

THE REGIONAL DISTRICT

Description	The Regional District is a political subdivision of the State of Texas that was created by the Act. The rights, powers, privileges, authority, and functions of the Regional District are established by the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59; Article III, Section 52 of the Texas Constitution; and the Act. See "THE REGIONAL DISTRICT."
Sunterra and the Service Area	The Regional District is part of the development of Sunterra, a master-planned community that consists of approximately 2,303.88 total acres comprised of five municipal utility districts: MUD 4, Harris-Waller Counties Municipal Utility District No. 5 ("MUD 5"), Waller County Municipal Utility District No. 37 ("MUD 37"), Harris County Municipal Utility District No. 569 ("MUD 569"), and Waller County Municipal Utility District No. 35 ("MUD 35"). MUD 4, in its capacity as the Regional District for the Sunterra development, is the provider of regional water, wastewater, drainage facilities and regional arterial, collector, and thoroughfare roads to the 2,303.88-acre service area ("Service Area") made up of lands within MUD 4 (140.29 acres), MUD 5 (489.32 acres), MUD 37 (410.07 acres), MUD 569 (568.04 acres), and MUD 35 (696.16 acres). A portion of the Service Area is located in Harris County, Texas, and a portion of the Service Area is located in Waller County, Texas, approximately 30 miles from the central business district of the City of Houston, Texas. The Service Area is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas. A portion of the Service Area lies within the Katy Independent School District, and a portion of the Service Area lies within Royal Independent School District.
The Participants	MUD 4, MUD 5, MUD 37, MUD 569, and MUD 35 (collectively, the "Participants") have entered into the Regional District Contract with the Regional District. By execution of the Regional District Contract, each Participant is obligated to pay its pro rata share of debt service on bonds issued by the Regional District to finance Regional District Facilities, including the Bonds. See "THE BONDS – Issuance of Additional Debt" and "REGIONAL DISTRICT CONTRACT." Each Participant operates under the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 59, Article XVI of the Texas Constitution and is authorized to construct and finance road project as provided under Section 52, Article III of the Texas Constitution. To serve the property within their boundaries, the Participants have the powers to construct, acquire, operate, maintain, and finance water, wastewater, drainage, road, and park and recreational facilities. See "THE PARTICIPANTS."
Development within the Service Area	Currently, development activity is either completed or ongoing within the boundaries of all Participants. Within the Service Area, approximately 1,432.12 acres (6,782 lots) have been developed as the single-family residential subdivisions of Sunterra, Sections 1–78. As of March 26, 2026, approximately 5,705 homes were complete (approximately 5,157 occupied and approximately 548 unoccupied), approximately 80 homes were under construction, and approximately 1,130 lots were developed and vacant. Commercial property within the Service Area includes the following: an approximately 1.2-acre tract with a Kiddie Academy and a 2.5-acre convenience store and gas station on approximately 2.5 acres.

Developers	Astro Sunterra, L.P., a Delaware limited partnership ("Astro Sunterra"), is the primary developer of land in the Service Area. Astro Sunterra was established by Mr. Al Brende and Starwood Land Astro Venture LP as a special purpose entity for the purpose of developing land and marketing developed land within the Service Area. Starwood Land Astro Venture LP has entered into a management agreement with Land Tejas Companies, Ltd. for the purpose of managing the day-to-day development activities within the Service Area. In addition, Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte"), is the developer of Sunterra, Sections 10, 12, and 13, HMH Sunterra Land, LLC, a Texas limited liability company ("HMH Sunterra"), is the developer of Sunterra, Section 22. Gehan Homes, Ltd., a Texas limited partnership ("Gehan Homes"), is the developer of Sunterra, Sections 46 and 47. Beazer Homes Texas, L.P., a Delaware limited partnership ("Beazer Homes"), is the developer of Sunterra, Sections 42–45, 51, and 52 within the Service Area. Astro Sunterra, Pulte, HMH Sunterra, Gehan Homes, and Beazer Homes are collectively referred to herein as the "Developers." See "THE DEVELOPERS."
Homebuilders within the Service Area	The homebuilders active within the Service Area are Highland Homes, Castlerock, Ashton Woods Homes, Nuway Homes, Pulte Homes, New Homes, Brohn Homes, Gehan Homes LTD, Beazer Homes, Castlerock Communities, Lennar Homes, DR Horton, Stonemanor Homes, DRB Group, TriCoast Homes, Clayton Properties Group, LGI Homes, Davidson Homes, and Chesmar Homes. Prices of new homes being constructed within the Service Area range from approximately $260,000 to $800,000 and range in size from approximately 1,400 to 4,000 square feet. See "THE REGIONAL DISTRICT – Homebuilders Active Within the Service Area."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS," BEFORE MAKING AN INVESTMENT DECISION.

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SELECTED FINANCIAL INFORMATION

(UNAUDITED)

Contract Revenue Bonds of the Regional District

2025 Gross Certified Assessed Valuation of the Participants	$	1,559,010,675	(a)
2026 Gross Preliminary Taxable Assessed Valuation of the Participants	$	1,905,610,042	(b)
Estimated Gross Assessed Valuation of the Participants as of April 1, 2026	$	2,002,027,379	(c)
Regional Direct Debt:			
The Outstanding Bonds (as of the Date of Delivery)	$	117,365,000	
The System Bonds	$	26,255,000	
The Road Bonds	$	5,380,000	
Total Direct Debt	$	149,000,000	
Estimated Overlapping Debt	$	270,178,785	(d)
Total Direct and Estimated Overlapping Debt	$	419,128,785	
Direct Debt Ratios:			
As a percentage of the 2025 Gross Certified Assessed Valuation of the Participants		9.56	%
As a Percentage of the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants		7.82	%
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of April 1, 2026		7.44	%
Direct and Estimated Overlapping Debt Ratios:			
As a Percentage of the 2025 Gross Certified Assessed Valuation of the Participants		26.89	%
As a Percentage of the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants		22.00	%
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of April 1, 2026		20.94	%

Regional District Funds

Contract Revenue System Debt Service Fund Balance (as of June 25, 2026)	$	5,310,558	(e)(g)
Contract Revenue Road Debt Service Fund Balance (as of June 25, 2026)	$	5,611,788	(f)(g)

(a) Represents the gross assessed valuation as of January 1, 2025, of all taxable property of all Participants in the Service Area, as provided by the Waller County Appraisal District and the Harris Central Appraisal District, as applicable. See "TAXING PROCEDURES" and "TAX DATA."

(b) Represents the gross preliminary taxable assessed valuation as of January 1, 2026, of all taxable property of the Participants as provided by the Waller County Appraisal District and the Harris Central Appraisal District, as applicable. The preliminary values of the Participants are subject to protest by the owners of taxable property in the respective Participant. No taxes will be levied on the preliminary values. See "TAX DATA" and "TAXING PROCEDURES."

(c) This amount includes an estimate of the gross assessed value of all taxable property located within the Participants as provided by the Waller County Appraisal District and the Harris Central Appraisal District, as applicable, as of April 1, 2026. This amount represents an estimated $6,778,553 for MUD 4, an estimated $617,956,065 for MUD 5, an estimated $573,717,288 for MUD 569, an estimated $402,179,026 for MUD 35, and an estimated $401,396,447 for MUD 37. No taxes will be levied on these estimated values. See "TAX DATA" and "TAXING PROCEDURES."

(d) Such amount includes the MUD 5 $5,305,000 Unlimited Tax Park Bonds, Series 2026, the MUD 569 $16,520,000 Unlimited Tax Bonds, Series 2025, the MUD 569 $2,140,000 Unlimited Tax Road Bonds, Series 2026, the MUD 35 $13,550,000 Unlimited Tax Bonds, Series 2026, and the MUD 37 $5,785,000 Unlimited Tax Park Bonds, Series 2026. See "REGIONAL DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

(e) In addition to this amount, twelve (12) months of capitalized interest will be deposited into the Contract Revenue System Debt Service Fund upon closing and delivery of the System Bonds. Neither Texas law nor the System Bond Resolution requires that the Regional District maintain any particular sum in the Contract Revenue System Debt Service Fund. Money deposited into the Contract Revenue System Debt Service Fund can only be used to pay debt service on the Contract Revenue System Bonds, such as the System Bonds. Funds deposited into the Contract Revenue System Debt Service Fund are not pledged to the Contract Revenue Road Bonds, such as the Road Bonds.

(f) In addition to this amount, twelve (12) months of capitalized interest will be deposited into the Contract Revenue Road Debt Service Fund upon closing and delivery of the Road Bonds. Neither Texas law nor the Road Bond Resolution requires that the Regional District maintain any particular sum in the Contract Revenue Road Debt Service Fund. Money deposited into the Contract Revenue Road Debt Service Fund can only be used to pay debt service on the Contract Revenue Road Bonds, such as the Road Bonds. Funds deposited into the Contract Revenue Road Debt Service Fund are not pledged to the Contract Revenue System Bonds, such as the System Bonds.

(g) Each Participant is obligated to pay a pro rata share of debt service on the Contract Revenue Bonds by the dates specified in the Regional District Contract. See "THE BONDS – Contract Payments by the Participants," "THE BONDS – Unconditional Obligation to Pay," and "REGIONAL DISTRICT CONTRACT."

Debt Service Requirements on the Bonds

Estimated Average Annual Debt Service Requirement (2026–2052)	$ 9,454,649	(a)
Estimated Maximum Annual Debt Service Requirement (2048)	$ 10,573,013	(a)

Contract Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement (2026–2052) at 95% Tax Collections:

Based on the 2025 Gross Certified Assessed Valuation of the Participants	$0.64
Based on the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants	$0.53
Based on the Estimated Gross Assessed Valuation of the Participants as of April 1, 2026	$0.50

Contract Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement (2048) at 95% Tax Collections:

Based on the 2025 Gross Certified Assessed Valuation of the Participants	$0.72
Based on the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants	$0.59
Based on the Estimated Gross Assessed Valuation of the Participants as of April 1, 2026	$0.56

Assessed Valuations of the Participants

Participant	2025 Gross Certified Assessed Valuation (b)	Percent of Total	2026 Gross Preliminary Taxable Assessed Valuation (c)	Percent of Total	Estimated Gross Assessed Valuation as of April 1, 2026 (d)	Percent of Total
MUD 4	$ 4,750,314	0.30%	$ 6,778,553	0.36%	$ 6,778,553	0.34%
MUD 5	588,716,620	37.76%	613,929,047	32.22%	617,956,065	30.87%
MUD 569	356,572,660	22.87%	522,837,054	27.44%	573,717,288	28.66%
MUD 35	231,656,768	14.86%	382,072,448	20.05%	402,179,026	20.09%
MUD 37	377,314,313	24.20%	379,992,940	19.94%	401,396,447	20.05%
Total	$ 1,559,010,675	100.00%	$ 1,905,610,042	100.00%	$ 2,002,027,379	100.00%

(a) Requirement of debt service on the Outstanding Bonds and the Bonds based on an estimated interest rate of 4.75%. See "Debt Service Requirement Schedule" below.

(b) Represents the gross assessed valuation as of January 1, 2025, of all taxable property of all Participants in the Service Area, as provided by the Waller County Appraisal District and the Harris Central Appraisal District, as applicable. See "TAXING PROCEDURES" and "TAX DATA."

(c) Represents the gross preliminary taxable assessed valuation as of January 1, 2026, of all taxable property of the Participants as provided by the Waller County Appraisal District and the Harris Central Appraisal District, as applicable. The preliminary values of the Participants are subject to protest by the owners of taxable property in the respective Participant. No taxes will be levied on the preliminary values. See "TAX DATA" and "TAXING PROCEDURES."

(d) This amount includes an estimate of the gross assessed value of all taxable property located within the Participants as provided by the Waller County Appraisal District and the Harris Central Appraisal District, as applicable, as of April 1, 2026. See "TAX DATA" and "TAXING PROCEDURES."

Status of Development as of March 26, 2026

Participant	Total Acreage	Number of Lots	Completed Homes	Occupied Completed Homes	Unoccupied Completed Homes	Homes Under Construction	Vacant Developed Lots
MUD 4	140.29	0	0	0	0	0	0
MUD 5	489.32	1,643	1,771	1,731	40	1	4
MUD 37	410.07	1,199	1,129	1,078	51	7	63
MUD 569	568.04	1,903	1,523	1,282	241	19	361
MUD 35	696.16	2,037	1,282	1,066	216	53	702
Total	2,303.88	6,782	5,705	5,157	548	80	1,130

Selected Tax Data

Participant	2025 Debt Service Tax Rate	2025 Maintenance Tax Rate	2025 Contract Tax Rate (a)	2025 Total Tax Rate
MUD 4	$ 0.000	$ 1.040	$ 0.460	$ 1.500
MUD 5	0.640	0.370	0.490	1.500
MUD 569	0.640	0.355	0.505	1.500
MUD 35	0.535	0.480	0.485	1.500
MUD 37	0.610	0.400	0.490	1.500

(a) The Regional District Contract provides that a Participant may make Contract Payments from the proceeds of the Contract Tax or from any other lawful sources, which include proceeds from the Participant's levy of a maintenance tax rate and operating funds advanced by the Developers. See "REGIONAL DISTRICT CONTRACT."

Debt Service Requirement Schedule

The following schedule sets forth the annual debt service requirements of the Outstanding Bonds, the principal and estimated interest requirements of the Bonds, assuming the Bonds are issued at an interest rate of 4.75%, and the combined total annual debt service requirements of the Outstanding Bonds and the Bonds. Totals may not sum due to rounding.

		The System Bonds:			The Road Bonds:			
Year	Outstanding Debt Service (a)	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Total Debt Service
2026	$ 4,708,141	$ –	$ –	$ –	$ –	$ –	$ –	$ 4,708,141
2027	8,222,731	–	1,475,750	1,475,750	–	302,401	302,401	10,000,882
2028	8,187,069	570,000	1,247,113	1,817,113	115,000	255,550	370,550	10,374,731
2029	8,142,731	595,000	1,220,038	1,815,038	120,000	250,088	370,088	10,327,856
2030	8,099,675	625,000	1,191,775	1,816,775	130,000	244,388	374,388	10,290,838
2031	8,065,500	655,000	1,162,088	1,817,088	135,000	238,213	373,213	10,255,800
2032	8,041,494	685,000	1,130,975	1,815,975	140,000	231,800	371,800	10,229,269
2033	8,052,138	720,000	1,098,438	1,818,438	145,000	225,150	370,150	10,240,725
2034	8,054,719	750,000	1,064,238	1,814,238	155,000	218,263	373,263	10,242,219
2035	8,081,094	790,000	1,028,613	1,818,613	160,000	210,900	370,900	10,270,606
2036	8,109,106	825,000	991,088	1,816,088	170,000	203,300	373,300	10,298,494
2037	8,138,406	865,000	951,900	1,816,900	175,000	195,225	370,225	10,325,531
2038	8,162,031	905,000	910,813	1,815,813	185,000	186,913	371,913	10,349,756
2039	8,196,156	950,000	867,825	1,817,825	195,000	178,125	373,125	10,387,106
2040	8,224,106	995,000	822,700	1,817,700	205,000	168,863	373,863	10,415,669
2041	8,244,238	1,040,000	775,438	1,815,438	215,000	159,125	374,125	10,433,800
2042	8,272,131	1,090,000	726,038	1,816,038	225,000	148,913	373,913	10,462,081
2043	8,288,669	1,140,000	674,263	1,814,263	235,000	138,225	373,225	10,476,156
2044	8,315,413	1,195,000	620,113	1,815,113	245,000	127,063	372,063	10,502,588
2045	8,335,081	1,255,000	563,350	1,818,350	255,000	115,425	370,425	10,523,856
2046	8,357,875	1,310,000	503,738	1,813,738	270,000	103,313	373,313	10,544,925
2047	8,369,844	1,375,000	441,513	1,816,513	280,000	90,488	370,488	10,556,844
2048	8,384,625	1,440,000	376,200	1,816,200	295,000	77,188	372,188	10,573,013
2049	6,747,406	1,510,000	307,800	1,817,800	310,000	63,175	373,175	8,938,381
2050	4,588,219	1,580,000	236,075	1,816,075	325,000	48,450	373,450	6,777,744
2051	2,390,188	1,655,000	161,025	1,816,025	340,000	33,013	373,013	4,579,225
2052	–	1,735,000	82,413	1,817,413	355,000	16,863	371,863	2,189,275
Total	$ 198,778,784	$ 26,255,000	$ 20,631,312	$ 46,886,312	$ 5,380,000	$ 4,230,413	$ 9,610,413	$ 255,275,510

(a) Outstanding as of the Date of Delivery.

Estimated Average Annual Debt Service Requirement (2026–2052) $9,454,649

Estimated Maximum Annual Debt Service Requirement (2048) $10,573,013

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 4

$26,255,000 **Contract Revenue Bonds** **Series 2026**	**$5,380,000** **Contract Revenue Road Bonds** **Series 2026**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris-Waller Counties Municipal Utility District No. 4 (the "Regional District" or, in its capacity as a Participant (herein defined), "MUD 4") of the $26,255,000 Contract Revenue Bonds, Series 2026 (the "System Bonds") and the $5,380,000 Contract Revenue Road Bonds, Series 2026 (the "Road Bonds," and together with the System Bonds, the "Bonds").

The System Bonds are issued by the Regional District pursuant to the Regional District Contract (herein defined) approved by the voters of each Participant; the terms and conditions of the bond resolution authorizing the issuance of the System Bonds (the "System Bond Resolution") adopted by the Board of Directors of the Regional District (the "Board") on the date of sale of the System Bonds; an order of the Texas Commission on Environmental Quality (the "TCEQ"); an election held within the Regional District and passed by a majority of the participating voters; House Bill No. 4520, an act of the 86th Legislature, Regular Session, effective May 21, 2019, and codified as Chapter 8047 of the Special District Local Laws Code (the "Act"); Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

The Road Bonds are issued by the Regional District pursuant to the Regional District Contract approved by the voters of each Participant; the terms and conditions of the bond resolution authorizing the issuance of the Road Bonds (the "Road Bond Resolution," and together with the System Bond Resolution, the "Bond Resolutions") adopted by the Board on the date of sale of the Road Bonds; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas; the Act; and an election held within the Regional District and passed by a majority of the participating voters.

This Official Statement includes descriptions, among others, of the Bonds, the Bond Resolutions, and certain other information about the "Participants" (MUD 4, Harris-Waller Counties Municipal Utility District No. 5 ("MUD 5"), Waller County Municipal Utility District No. 37 ("MUD 37"), Harris County Municipal Utility District No. 569 ("MUD 569"), and Waller County Municipal Utility District No. 35 ("MUD 35")), certain other information about the Regional District, in both its capacity as the Regional District and as a Participant, the approximate 2,303.88 acre service area (the "Service Area") served by the Regional District Facilities (herein defined), and the Contract for the Financing, Operation and Maintenance of Regional Facilities entered into by the Participants and the Regional District (the "Regional District Contract").

There follows herein descriptions of the Bonds, the Developers (herein defined), the Bond Resolutions, and certain information about the Regional District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel (herein defined) at Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication thereof. Certain capitalized terms used herein have the same meanings assigned to such terms in the Bond Resolutions, except as otherwise indicated herein.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolutions. Copies of the Bond Resolutions may be obtained from the Regional District upon written request made to the Regional District's Bond Counsel, Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated August 1, 2026, and will accrue interest from the initial date of delivery, which is expected to be on or about August 25, 2026 (the "Date of Delivery"), with interest payable May 1, 2027, and on each November 1 and May 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully-registered bonds maturing on November 1 of the years shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Regional District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Regional District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Regional District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar or the Regional District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Regional District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Regional District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Regional District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that the Regional District believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections herein to Registered Owners should be read to include the person for which the Direct and Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolutions will be given only to DTC.

Successor Paying Agent/Registrar

Provision is made in the Bond Resolutions for replacing the Paying Agent/Registrar. If the Regional District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the Regional District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

Registration, Transfer and Exchange

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of each series of the Bonds and will be deposited with DTC. See "Book-Entry-Only System" above. So long as any Bonds remain outstanding, the Regional District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the Regional District.

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner.

The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the Regional District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the Regional District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

Bonds maturing on November 1, 2032, and thereafter shall be subject to redemption and payment at the option of the Regional District, in whole or from time to time in part, on November 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the series and maturities of the Bonds to be redeemed shall be selected by the Regional District. If less than all of the Bonds of a certain series and maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the Regional District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the Regional District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Regional District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The Regional District is issuing the System Bonds for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the Service Area (the "Regional District System Facilities") and the Road Bonds for the purpose of acquiring or constructing a regional road system to serve the Service Area (the "Regional District Road Facilities"). The Regional District System Facilities and the Regional District Road Facilities are collectively referred to herein as the "Regional District Facilities." The contract revenue bonds issued for the purpose of constructing or acquiring the Regional District System Facilities are referred to herein as the "Contract Revenue System Bonds," and the contract revenue bonds issued for the purpose of constructing or acquiring the Regional District Road Facilities are referred to herein as the "Contract Revenue Road Bonds." The Contract Revenue System Bonds and the Contract Revenue Road Bonds are collectively referred to herein as the "Contract Revenue Bonds."

Each Participant is contractually obligated to make payments (the "Contract Payments") required of the Participants within the Service Area (herein defined) from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant on all taxable property within the boundaries of each respective Participant (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful sources of such Participant's income. The obligations of the Participants to make Contract Payments are several, not joint, obligations prorated among the Participants based upon the proportion of the Gross Certified Assessed Valuation of property within their respective boundaries to the total Gross Certified Assessed Valuation of property within all Participants, as described herein. No Participant is obligated to pay the Contract Payments allocated to any other Participant; however, lack of payment by any Participant could result in an increase in the Contract Payment amount paid by each of the other Participants during the time that such Participant's payment is delinquent as the Regional District may include a reserve amount in the Contract Payment due from each Participant. The security for payment of the principal of and interest on the Bonds by the Regional District, therefor, depends on the ability of each Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries sufficient to make its Contract Payments. The collection by each Participant of delinquent taxes owed to it may be a costly and lengthy process. See “INVESTMENT CONSIDERATIONS – Registered Owners’ Remedies and Bankruptcy” and “THE BONDS – Source of Payment.”

At separate elections held within the boundaries of each Participant, the voters of each Participant approved the Regional District Contract. Under the Regional District Contract, the Regional District is to serve as the provider of the Regional District Facilities. The Regional District Contract authorizes the Regional District to issue the remaining $524,047,000 principal amount of Contract Revenue System Bonds and $135,266,000 principal amount of Contract Revenue Road Bonds. See “THE BONDS – Issuance of Additional Debt.” The Regional District Contract also authorizes the Regional District to refund any outstanding Contract Revenue Bonds.

The System Bonds are issued by the Regional District pursuant to the Regional District Contract approved by the voters of each Participant; the terms and conditions of the System Bond Resolution adopted by the Board on the date of sale of the System Bonds; an order of the TCEQ; an election held within the Regional District and passed by a majority of the participating voters; the Act; Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

The Road Bonds are issued by the Regional District pursuant to the Regional District Contract approved by the voters of each Participant; the terms and conditions of the Road Bond Resolution adopted by the Board on the date of sale of the Road Bonds; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas; the Act; and an election held within the Regional District and passed by a majority of the participating voters.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment, the sufficiency of the Contract Payments to pay principal of and interest on the Bonds or upon the adequacy of the information contained in this Official Statement.

Outstanding Bonds

The Regional District has previously issued eight (8) series of contract revenue bonds for financing Regional District Facilities as follows: $12,480,000 Contract Revenue Bonds, Series 2022, $10,400,000 Contract Revenue Road Bonds, Series 2022, $14,250,000 Contract Revenue Bonds, Series 2023, $16,085,000 Contract Revenue Road Bonds, Series 2023, $15,770,000 Contract Revenue Bonds, Series 2024, $16,395,000 Contract Revenue Road Bonds, Series 2024, $17,425,000 Contract Revenue Bonds, Series 2025, and $16,135,000 Contract Revenue Road Bonds, Series 2025. As of the Date of Delivery, $117,365,000 principal amount of such prior issuances of bonds by the Regional District will remain outstanding (the “Outstanding Bonds”).

Issuance of Additional Debt

Pursuant to the Regional District Contract, the Regional District is authorized to issue $610,227,000 principal amount of Contract Revenue System Bonds and $199,661,000 principal amount of Contract Revenue Road Bonds. The Regional District Contract also authorizes the Regional District to refund any outstanding Contract Revenue Bonds. Pursuant to the Regional District Contract, approval by each Participant and approval by the voters at an election held by each Participant is required prior to any amendment to the Regional District Contract that would increase such authorized amounts. By execution of the Regional District Contract between the Regional District and each Participant, each Participant is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds issued by the Regional District to finance the Regional District Facilities, including the Bonds. The Outstanding Bonds, the Bonds, and all additional Contract Revenue Bonds issued by the Regional District will be payable from the Contract Tax.

Pursuant to the Regional District Contract and after the issuance of the Bonds, the Regional District will have $524,047,000 principal amount of Contract Revenue System Bonds and $135,266,000 principal amount of Contract Revenue Road Bonds remaining authorized but unissued. The Regional District Contract (except as described above) and the Bond Resolutions impose no limitation on the amount of Contract Revenue Bonds the Regional District may issue payable from the Contract Tax. See “INVESTMENT CONSIDERATIONS – Future Debt.”

Each Participant may issue unlimited tax bonds for water, wastewater, drainage, road, and park and recreational services, with any required approval of the TCEQ, necessary to provide and maintain improvements and facilities to serve land within their respective boundaries consistent with the purposes for which the Regional District or such other Participant was created. TCEQ approval is not currently required for the Regional District or any Participant to issue bonds for the purpose of constructing or acquiring road facilities. See “APPENDIX A – Certain Financial Information Regarding the Participants” for a description of the voter authorized bonds, principal amount of bonds issued (if any), and principal amount of bonds outstanding for each Participant.

At an election held on May 1, 2021, voters of MUD 4 authorized MUD 4’s issuance of the following: $27,610,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing internal facilities necessary to provide water, sanitary sewer, and storm water drainage systems serving MUD 4; $8,284,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 4 for acquiring or constructing facilities necessary to provide water, sanitary sewer, and storm water drainage systems serving MUD 4; $28,545,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve MUD 4; $8,564,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 4 for acquiring or constructing roads and improvements in aid thereof to serve MUD 4; $23,285,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities in MUD 4; and $6,986,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 4 for acquiring or constructing parks and recreational facilities in MUD 4. To date, MUD 4 has issued no unlimited tax bonds for internal facilities from such voted authorizations from the May 1, 2021, election.

Source of Payment

The Bonds are payable solely from payments the Participants make to the Paying Agent/Registrar for the purpose of paying the debt service on the Bonds pursuant to the requirements of the Regional District Contract. The Regional District Contract provides that all Participants shall pay a pro rata share of debt service on any Contract Revenue Bonds issued by the Regional District, including the Outstanding Bonds and the Bonds, based upon each Participant's Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all Participants. The debt service requirements shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with Contract Revenue Bonds, the principal, interest, and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the Bond Resolutions. Each Participant is obligated to pay its pro rata share of the Contract Payments, from the Contract Tax, revenues derived from the operation of its water distribution and wastewater collection systems or from any other legally available funds of such Participant. Each Participant's pro rata share of debt service requirements will be calculated annually by the Regional District; however the levy of a Contract Tax for the purpose of paying debt service on the Contract Revenue Bonds is the sole responsibility of each Participant. The Bonds are special obligations of the Regional District payable solely from the Contract Payments and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Houston, Texas; any of the Participants (except the Regional District); or any entity other than the Regional District.

Contract Payments by the Participants

Principal of and interest on the Bonds are payable from and secured by each Participant's unconditional obligation to make Contract Payments. By execution of the Regional District Contract, each Participant has agreed to make a Contract Payment in an amount equal to its pro rata share of the annual debt service on the Contract Revenue Bonds plus all the charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds established under the Bond Resolutions based upon its Gross Certified Assessed Valuation as a percentage of the total Gross Certified Assessed Valuation of all Participants. Each Participant is obligated to make such payments from the proceeds of the Contract Tax levied by such Participant on property within its boundaries for such purpose, revenues, if any derived from the operation of its water distribution and wastewater collection systems or from any other lawful source of funds. See "Source of Payment." No Participant is liable for the payments due by any other Participant. See "REGIONAL DISTRICT CONTRACT." The Regional District shall calculate on or before September 1 of each year, or as soon thereafter as practical, the amount of Contract Payments due from each Participant in the following calendar year. The Contract Payments shall be billed to each Participant by the Regional District on or before September 1 of the year prior to the year in which such Contract Payments become due, or as soon thereafter as practical. Such Contract Payments shall be due and payable from each Participant to the Paying Agent/Registrar semiannually by the dates specified by the Regional District. The Regional District specified March 1 and September 1 of each year as the dates by which Contract Payments are due to the Paying Agent/Registrar. The Bond Resolutions provide that the Contract Payments will be paid directly to the Paying Agent/Registrar semiannually on or before March 1 and September 1 of each year.

Unconditional Obligation to Pay

All charges imposed by the Regional District to pay debt service on the Bonds will be made by the Participants without set-off, counterclaim, abatement, suspension, or diminution, nor will any Participant have any right to terminate the Regional District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor will the obligations of the Participants be otherwise affected for any reason, including without limitation acts or conditions of the Regional District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Regional District Facilities, failure of the Regional District to perform and observe any agreement whether expressed or implied, or any duty, liability, or obligation arising out of or connected with the Regional District Contract. All sums required to be paid by the Participants to the Regional District for such purposes will continue to be payable in all events and the obligations of the Participants will continue unaffected, unless the requirement to pay is reduced or terminated pursuant to an express provision of the Regional District Contract. If any Participant disputes the amount to be paid to the Regional District, the Participant shall nonetheless promptly make payments as billed by the Regional District and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Regional District will then make proper adjustments to all Participants so that the appropriate Participant will receive credit for its over-payments. See "THE REGIONAL DISTRICT."

Funds

The debt service fund created to pay debt service on bonds issued for the Regional District System Facilities (the "Contract Revenue System Debt Service Fund") is confirmed in the System Bond Resolution. At closing of the System Bonds, twelve (12) months of capitalized interest on the System Bonds will be deposited into the Contract Revenue System Debt Service Fund. The debt service fund created to pay debt services on bonds issued for the Regional District Road Facilities (the "Contract Revenue Road Debt Service Fund") is confirmed in the Road Bond Resolution. At closing of the Road Bonds, twelve (12) months of capitalized interest on the Road Bonds will be deposited into the Contract Revenue Road Debt Service Fund.

The proceeds from the Contract Payments collected for and on account of Contract Revenue System Bonds (including the System Bonds) shall be deposited into the Contract Revenue System Debt Service Fund. Proceeds from the Contract Payments collected for and on account of Contract Revenue Road Bonds (including the Road Bonds) shall be deposited into the Contract Revenue Road Debt Service Fund (which includes each Participant's pro rata share of the respective debt service requirements). The Bond Resolutions do not provide for segregated reserve funds. The Regional District's annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year's annual debt service requirements and, at the option of the Regional District, an amount up to 50% of the following year's annual debt service requirements, which when paid by the Participants, will be deposited into the respective debt service fund.

The Regional District further covenants that if at any time the fund balance in either the Contract Revenue System Debt Service Fund or the Contract Revenue Road Debt Service Fund falls below 10% of the following year's debt service requirement for the respective bonds, it will levy the maximum amount allowed under the Bond Resolutions (100% of the next year's debt service requirement plus 50% of the following year's debt service requirement) until such time that the debt service fund balance in the respective fund exceeds 50% of the next year's debt service requirement.

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies and Bankruptcy."

No Arbitrage

The Regional District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the Regional District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the Regional District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Regional District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the Regional District are authorized to certify to the facts and circumstances and reasonable expectations of the Regional District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the Regional District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Continuing Compliance with Certain Covenants

The Bond Resolutions contain covenants by the Regional District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the Regional District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Annexation

Under existing Texas law, since each Participant lies wholly within the extraterritorial jurisdiction ("ETJ") of the City, each Participant must conform to a City consent ordinance. Generally, each Participant may be annexed by the City without the Participant's consent, and the City cannot annex territory within the Participant unless it annexes the entire Participant; however, the City may not annex a Participant unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement ("SPA") between the City and a Participant specifying the procedures for full purpose annexation of all or a portion of the Participant. None of the Participants currently have a SPA with the City of Houston.

If the Regional District (and each of the Participants) is annexed, the City will assume the Regional District's assets and obligations (including the Bonds) and dissolve the Regional District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the Regional District makes no representation that the City will ever annex the Participants and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

The Regional District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the Regional District System Facilities) and liabilities (such as the Bonds), with the assets and liabilities of a district with which it is consolidating. Although no consolidation is presently contemplated by the Regional District, no representation is made concerning the likelihood of consolidation in the future.

Defeasance

The Bond Resolutions provide that the Regional District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and the redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of Texas a sum of money equal to principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the Regional District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Regional District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Regional District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the Regional District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the Regional District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt from Section 49.186 of the Texas Water Code and is applicable to the Regional District:

> (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
>
> (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the Regional District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolutions provide that, in the event the Regional District defaults in the payment of principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolutions into the applicable debt service fund, or defaults in the observance or performance of any of the other covenants, conditions, or obligations set forth in the Bond Resolutions, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Regional District to make such payments or to observe and perform such covenants, obligations, or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the Participants to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolutions do not specifically provide for remedies to a Registered Owner in the event of a Regional District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the Regional District, such a judgment could not be enforced by direct levy and execution against the property within the Service Area. Further, the Registered Owners cannot themselves foreclose on the property within the Service Area or sell property within the Service Area in order to pay principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Participants. For example, a Chapter 9 bankruptcy proceeding by a Participant could delay or eliminate payment of principal or interest to the Registered Owners.

Short-Term Debt

The Regional District issued its $14,560,000 Bond Anticipation Note, Series 2025 (the "BAN"), dated December November 26, 2025. The BAN matures on November 25, 2026, and accrues interest at a rate of 4.65% per annum, calculated on the basis of actual days elapsed. The District will use a portion of the proceeds from the sale of the System Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse Astro Sunterra and KB Home Lone Star (herein defined) for a portion of the improvements and related costs shown under "THE BONDS – Use and Distribution of System Bond Proceeds."

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Use and Distribution of System Bond Proceeds

Proceeds from the sale of the System Bonds will be used by the Regional District to redeem the BAN, the proceeds of which were used to reimburse Astro Sunterra and KB Home Lone Star for a portion of the improvements and related costs as shown below. Additionally, proceeds from the sale of the System Bonds will also be used to reimburse Astro Sunterra for the improvements and related costs that were not reimbursed by the BAN and to pay twelve (12) months of capitalized interest, developer interest, BAN interest, and other certain costs associated with the issuance of the System Bonds.

Non-construction costs are based upon either contract amounts or various cost estimates by the Regional District Engineer (herein defined) and the Financial Advisor (herein defined). The actual amounts to be reimbursed by the Regional District and the non-construction costs will be finalized after the sale of the System Bonds and completion of agreed-upon procedures by the Auditor (herein defined).

Construction Costs	District's Share
A. Developer Contribution Items	
1. Sunterra Phase 1A Excavation & Mass Grading	$ 964,256
2. Sunterra Lift Station No. 2	963,742
3. Sunterra Transformer Bank – Lift Station No. 2	3,204
4. Sunterra Phase 2B Excavation & Mass Grading	7,767,169
5. Engineering, Testing, and SWPPP	1,471,771
Total Developer Contribution Items	$ 11,170,142
B. District Contribution Items	
1. Land Cost	$ 6,955,905
2. Connection Fees for Water Capacity	727,950
3. Connection Fees for Wastewater Capacity	727,950
Total District Items	$ 8,411,805
Subtotal Construction Costs	$ 19,581,947
Less Use of Surplus Funds	(300,000)
TOTAL CONSTRUCTION COSTS	$ 19,281,947
Non-Construction Costs	
A. Legal Fees	$ 508,825
B. Fiscal Agent Fees	525,100
C. Interest	
1. Capitalized Interest (12 months at 5.75%)	1,509,663
2. Developer Interest	2,416,213
3. BAN Interest ($14,560,000 for 1 year at 5.00%)	728,000
D. Bond Discount (3.00%)	787,650
E. BAN Issuance Expense	314,175
F. Bond Engineering Report	66,000
G. Bond Issuance Expenses	42,289
H. Attorney General Fee (0.10% or a maximum of $9,500)	9,500
I. TCEQ Bond Issuance Fee (0.25%)	65,638
Total Non-Construction Costs	$ 6,973,053
TOTAL BOND ISSUE REQUIREMENT	**$26,255,000**

The Regional District Engineer has advised the Regional District that the proceeds of the sale of the System Bonds should be sufficient to reimburse Astro Sunterra for the costs of the above-described facilities. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ; however, the Regional District cannot and does not guarantee the sufficiency of such funds for such purposes.

Use and Distribution of Road Bond Proceeds

Proceeds from the sale of the Road Bonds will be used by the Regional District to reimburse Astro Sunterra for the costs of road improvements and related costs as set forth below. Additionally, proceeds from the sale of the Road Bonds will be used to pay for twelve (12) months of capitalized interest, developer interest, and other certain costs associated with the issuance of the Road Bonds.

Non-construction costs are based upon either contract amounts or various cost estimates by the Regional District Engineer and the Financial Advisor. The actual amounts to be reimbursed by the Regional District and the non-construction costs will be finalized after the sale of the Road Bonds and completion of agreed-upon procedures by the Auditor.

Construction Costs	District's Share
A. Developer Contribution Items	
1. None	$ –
Total Developer Contribution Items	$ –
B. District Items	
1. Clay Road Section 2 Paving	$ 1,386,097
2. Bartlett Road & Reserves Paving (Section 5)	1,128,116
3. Sunterra Pedestrian Crossings	220,859
4. Aurora Bend Section 1 Paving	106,654
5. Beckendorff Section 3 Paving	24,948
6. Crystal Vista Drive (Collector B)	7,658
7. Sunterra Collector C Seg 2 Paving	25,211
8. Pitts Road Left Turn Lane – Katy Lakes Estates	38,093
9. Sunterra Point Drive, Aurora Bend Drive & Pitts Road LTL Paving	38,419
10. Traffic Signal at Clay & Bartlett and Stockdick & Bartlett	823,900
11. Beckendorff Road Section 4 Paving	17,997
12. Beckendorff Road Section 5 Paving	48,900
13. Beckendorff Road Section 6 Paving	49,669
14. Stockdick Road Section 6 & 7 Paving	42,551
15. Beckendorff Subgrade Replacement	89,772
16. Land Cost for Right of Way	327,358
Total District Items	$ 4,376,201
TOTAL CONSTRUCTION COSTS	$
Non-Construction Costs	
A. Legal Fees	$ 195,700
B. Fiscal Agent Fees	107,600
C. Interest	
1. Capitalized Interest (12 months at 4.75%)	255,550
2. Developer Interest	226,577
D. Bond Discount (3.00%)	161,400
E. Bond Issuance Expenses	31,092
F. Engineering Fees	20,500
G. Attorney General Fee (0.10% or a maximum of $9,500)	5,380
Total Non-Construction Costs	$ 1,003,799
TOTAL BOND ISSUE REQUIREMENT	**$ 5,380,000**

The Regional District Engineer has advised the Regional District that the proceeds of the sale of the Road Bonds should be sufficient to reimburse Astro Sunterra for the costs of the above-described facilities. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses; however, the Regional District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE PARTICIPANTS

Creation, Authority, and Description

MUD 4 was created by House Bill No. 4520, an act of the 86th Legislature, Regular Session, effective May 21, 2019, and codified as Chapter 8047 of the Special District Local Laws Code. Pursuant to the powers of MUD 4 under such act, MUD 4 adopted that Order Dividing District dated July 30, 2020, which resulted in the division of MUD 4 into three resulting districts, including the creation of MUD 5 and MUD 37.

MUD 569 was created by House Bill No. 2671, an act of the 86th Legislature, Regular Session, effective June 10, 2019, and codified as Chapter 8057 of the Special District Local Laws Code. MUD 35 was created by House Bill No. 3209, an act of the 86th Legislature, Regular Session, effective June 10, 2019, and codified as Chapter 8071 of the Special District Local Laws Code.

Each Participant operates under the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 59, Article XVI of the Texas Constitution and is authorized to construct and finance road projects as provided under Section 52, Article III of the Texas Constitution. To serve the property within their boundaries, the Participants have the powers to construct, acquire, operate, maintain, and finance water, wastewater, drainage, road, and park and recreational facilities.

The Participants are empowered to exercise all the powers and functions which will permit accomplishment of the purposes for which they were created. Each Participant may also establish, operate, and maintain a fire department or contract for firefighting services, and the TCEQ and its voters have approved a plan for that purpose.

Authorized Bonds and Debt Service Tax

The Participants have the statutory authority to issue unlimited tax bonds for the purpose of providing internal water distribution, wastewater collection, storm drainage, road, and park and recreational facilities to the land within their boundaries. Such bonds are secured by a continuing direct annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the Contract Tax. See "THE PARTICIPANTS – Contract Taxes."

Each of the Participants has voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within their respective boundaries. See "APPENDIX A – Certain Financial Information Regarding the Participants" for a description of the voter authorized bonds, principal amount of bonds issued (if any) and principal amount of bonds outstanding for each Participant.

Operations

Each Participant has or will construct internal water, wastewater, and drainage facilities, and may also construct internal road and park and recreational facilities, within its respective boundaries. Pursuant to the Regional District Contract, each Participant is required to purchase potable water from the Regional District and sell such water to its customers, and collect domestic wastewater from its customers, which the Regional District provides for the treatment and discharge of the wastewater. The Regional District has a contract with Quadvest (herein defined) whereby Quadvest owns and operates the regional water supply and wastewater systems serving Sunterra. See "THE REGIONAL DISTRICT FACILITIES."

Each Participant sets its own retail rates for water distribution and wastewater collection services and is required by the Regional District Contract to do so at a level which will produce sufficient revenue to pay operating and maintenance charges of the Regional District, to pay other costs of operating and maintaining its own System (herein defined), and, together with tax revenues, to pay its Contract Payments. The Regional District does not expect that revenues from Participants' retail charges will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds.

Contract Taxes

The Regional District has the authority to issue Contract Revenue Bonds, including the Bonds. Each Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each Participant's Gross Certified Assessed Valuation by the total of all Participants' Gross Certified Assessed Valuation, calculated annually. Calculation of the Contract Payments, is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the Participant's however, allowances are made for exemptions provided under State law that do not require action by the Participants. See "TAXING PROCEDURES." The Regional District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual Contract Taxes levied without legal limit as to rate or amount, from revenues derived from the operation of its water distribution and wastewater collection systems, or from any other legally available funds. The Regional District does not expect that revenues from the Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of the Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. The debt service requirement shall include principal, interest, and redemption requirements on the Contract

Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under a bond resolution.

The Participants have the authority to levy and collect an annual ad valorem tax for the operation and maintenance of facilities. A maintenance and operations tax is in addition to taxes which the Participant is authorized to levy for paying principal of and interest on its unlimited tax bonds and the Contract Tax.

Management

Each Participant is governed by a board of directors, consisting of five (5) members, which has control and management of all affairs of such Participant. Directors of each Participant are elected by the voters within that Participant to serve four (4)-year staggered terms. All such directors reside or own property within the Participant on whose board they serve. None of the Participants have any employees. Each Participant contracts for all services required to maintain its operations. The TCEQ exercises continuing supervisory jurisdiction over each Participant, and, in addition, operation of each Participant's water, wastewater, and drainage facilities is subject to regulation by other agencies.

Financial Data

See "APPENDIX A – Certain Financial Information Regarding the Participants" for financial information for each Participant.

REGIONAL DISTRICT CONTRACT

MUD 4 and the other Participants have executed the Regional District Contract with the Regional District for the financing, operation, and maintenance of the regional facilities described below and obtained the approval of the Regional District Contract from voters at elections held within their respective boundaries. The Regional District, in its capacity as the provider for the Regional District Facilities, will construct the Regional District Facilities and provide services from those Regional District Facilities.

The Regional District Contract provides that all Participants shall pay a pro rata share of debt service on the Contract Revenue Bonds, including the Bonds, based upon each Participant's Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all the Participants, calculated annually. Calculation of the Contract Payment is based upon Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the Participants. Each Participant is obligated to pay its pro rata share of the annual debt service payments on the Contract Revenue Bonds from the proceeds of the Contract Tax, revenues derived from the operation of its water distribution and wastewater collection system or from any other legally available funds. The Contract Tax shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with the Contract Revenue Bonds, including the Outstanding Bonds and the Bonds, the principal, interest, and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the applicable bond resolution. Each Participant's Contract Payment will be calculated annually by the Regional District; however, the levy of a Contract Tax or the provisions of other funds to make its contract payments is the sole responsibility of each Participant.

The Regional District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Regional District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Regional District is the financing vehicle for all Regional District Facilities and will own and operate all Regional District System Facilities (except for roadways that are accepted by Harris County or Waller County, as applicable, for operation and maintenance).

Each Participant will own and operate its internal facilities. The internal facilities are expected to be financed with unlimited tax bonds sold by each of the Participants. It is anticipated that the Regional District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Regional District fails to finance or provide Regional District System Facilities as required by the Service Area, each Participant has the right pursuant to the Regional District Contract to design, acquire, construct, or expand the Regional District System Facilities needed to provide it with service.

Each Participant is further obligated to pay monthly charges to the Regional District, for water and wastewater services rendered pursuant to the Regional District Contract. The monthly charges to be paid by each Participant to the Regional District will be used to pay its share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Participant's share of operation and maintenance expenses is based upon a "unit cost" of operation and maintenance expense, calculated by the Regional District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Regional District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family connections ("ESFCs") reserved to it on the first day of the previous month by the unit cost per ESFC.

Pursuant to the Regional District Contract, each Participant is obligated to establish and maintain rates, fees, and charges for its water and wastewater services which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay operation and maintenance charges of the Regional District, to pay other costs of operating and maintaining its own utility system, and to pay its obligations pursuant to the Regional District Contract, including its Contract Payments. The Regional District does not expect that revenues from the Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. All sums payable by each Participant to the Regional District pursuant to the Regional District Contract are to be paid by such Participant without set off, counterclaim, abatement, suspension, or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Regional District Contract provides that the Regional District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Regional District's facilities by such Participant in addition to the Regional District's other remedies pursuant to the Regional District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Regional District under the Regional District Contract. See "THE BONDS – Source of Payment."

Each Participant is obligated severally, but not jointly, to make Contract Payments to the Regional District in an amount sufficient to pay its debt service requirements on Contract Revenue Bonds. No Participant is obligated, contingently or otherwise, to make any Contract Payments owed by any other Participant; however, lack of payment by any Participant could result in an increase in the Contract Payment amount paid by each of the other Participants.

THE REGIONAL DISTRICT

Management of the District

The Regional District is governed by its Board of Directors (the "Board") consisting of five directors, who have control over and management supervision of all affairs of the Regional District. All of the directors own property in the Regional District. The directors serve staggered, four-year terms. Elections are held in even-numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Rhonda Gideon	President	2028
Cindy Morrow	Vice President	2028
Ruth Delaunay	Secretary	2028
Way Denkler	Assistant Secretary	2030
Sabrina Alaquinez	Assistant Vice President	2030

Investment Policy

The Regional District has adopted an Investment Policy (the "Investment Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Public Funds Investment Act"). The Regional District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the Regional District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the Regional District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Public Funds Investment Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The Regional District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the portfolio.

Consultants

Although the Regional District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Tax Assessor/Collector: The tax assessor/collector for the Regional District is Bob Leared Interests, Inc.

Bookkeeper: The Regional District's bookkeeper is Myrtle Cruz, Inc. (the "Bookkeeper").

Utility System Operator: Municipal District Services, LLC is the operator of the System.

Auditor: As required by the Texas Water Code, the Regional District retains an independent auditor to audit the Regional District's financial statements annually, which annual financial statements are filed with the TCEQ. The Regional District engaged McGrath & Co., PLLC as its auditor for the fiscal year ended April 30, 2025, which audited financial statements are included herein under "APPENDIX B." The Regional District has engaged McGrath & Co., PLLC, as its auditor for the fiscal year ended April 30, 2026.

Engineer: The Regional District's engineer is Quiddity Engineering, LLC. (the "Engineer").

Attorney: The Regional District has engaged Allen Boone Humphries Robinson LLP, as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid to Bond Counsel in connection with the issuance of the Regional Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS." The Regional District has engaged Allen Boone Humphries Robinson, LLP, Houston, Texas, as general counsel.

Disclosure Counsel: The Regional District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as disclosure counsel ("Disclosure Counsel") in connection with the issuance of the Bonds. The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Cedar Creek Municipal Advisors, LLC serves as financial advisor ("Financial Advisor") to the Regional District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

The Service Area

The Service Area contains approximately 2,303.88 acres. This approximate 2,303.88 acres is comprised of the land within MUD 4 (140.29 acres), MUD 5 (489.32 acres), MUD 37 (410.07 acres), MUD 569 (568.04 acres), and MUD 35 (696.16 acres). The Participants (MUD 4, MUD 5, MUD 37, MUD 569, and MUD 35) have entered into the Regional District Contract with the Regional District. Pursuant to the Regional District Contract, the Regional District is obligated to provide the Regional District Facilities to serve the land in the Service Area. A portion of the Service Area is located in Harris County, Texas, and a portion of the Service Area is located in Waller County, Texas, approximately 30 miles west of the central business district of the City of Houston, Texas. The Service Area is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas. A portion of the Service Area lies within the Katy Independent School District, and a portion of the Service Area lies within Royal Independent School District.

Status of Development Within the Service Area

Currently, development activity is either completed or ongoing within the boundaries of all Participants. Within the Service Area, approximately 1,432.12 acres (6,782 lots) have been developed as the single-family residential subdivisions of Sunterra, Sections 1–78. As of March 26, 2026, approximately 5,705 homes were complete (approximately 5,157 occupied and approximately 548 unoccupied), approximately 80 homes were under construction, and approximately 1,130 lots were developed and vacant. Commercial property within the Service Area includes the following: an approximately 1.2-acre tract with a Kiddie Academy and a 2.5-acre convenience store and gas station on approximately 2.5 acres.

Homebuilders Active Within the Service Area

The homebuilders active within the Service Area are Highland Homes, Castlerock, Ashton Woods Homes, Nuway Homes, Pulte Homes, New Homes, Brohn Homes, Gehan Homes LTD, Beazer Homes, Castlerock Communities, Lennar Homes, DR Horton, Stonemanor Homes, DRB Group, TriCoast Homes, Clayton Properties Group, LGI Homes, Davidson Homes, and Chesmar Homes. Prices of new homes being constructed within the Service Area range from approximately $260,000 to $800,000 and range in size from approximately 1,400 to 4,000 square feet.

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General Fund Operating Statement

The following is a summary of the Regional District's operating fund activity. The summary below has been prepared by the Financial Advisor based upon information obtained from the Master District Operating Fund included in the District's audited financial statements for the fiscal year ended April 30, 2023, April 30, 2024, April 30, 2025, and from information provided by the District's bookkeeper for the period ending April 30, 2026. Reference is made to such statements for further and more complete information. See "APPENDIX B."

	Fiscal Year Ended April 30,			
	2026 (a)	2025	2024	2023
Revenues				
Participant Billings	$10,064,747	$ 6,876,177	$ 4,529,850	$ 1,843,990
Miscellaneous	0	34,000	119	–
Investment Earnings	1,719	1,279	2,861	736
Total Revenues	$10,066,466	$ 6,911,456	$ 4,532,830	$ 1,844,726
Expenditures				
Current Service Operations				
Purchased Services	$ 6,912,053	$ 4,417,044	$ 2,793,581	$ 999,874
Professional Fees	254,393	301,785	325,917	213,628
Contracted Services	41,715	40,775	38,355	23,772
Repairs and Maintenance	1,425,743	1,171,942	999,204	352,827
Utilities	9,946	5,863	1,373	–
Regional Water Authority Fees	862,198	258,757	199,579	2,212
Administrative	45,659	34,815	25,383	13,494
Other	16,801	12,171	38,270	72,381
Capital Outlay	122,029	19,087	213,022	–
Total Expenditures	$ 9,690,537	$ 6,262,239	$ 4,634,684	$ 1,678,188
Revenues Excess (Deficiency)	$ 375,929	$ 649,217	$ (101,854)	$ 166,538
Other Financing Sources/(Uses)				
Internal Transfers	$	$ –	$ –	$ (600)
Other Items				
Capital Contributions	$ 233,308	$ –	$ –	$ 191,720
Net Change in Fund Balance	$ 609,237	$ 357,658	$ (101,854)	$ 357,658
Beginning of Year	$ 921,602	$ 272,385	$ 374,239	$ 16,581
End of Year	$ 1,530,839	$ 921,602	$ 272,385	$ 374,239

(a) Unaudited.

PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA

(June 2026)

THE DEVELOPERS

Role of the Developer

In general, the activities of a developer in a municipal utility district such as the Participants include purchasing the land, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Developers

The original developer in the Service Area was Katy 1039, Ltd. (the "Original Developer"), a Texas limited partnership and single purpose entity created by Land Tejas Companies, Ltd. solely for the purpose of developing the land located within the District. The General Partner of the Original Developer is L.T. Management, Inc., whose president is Mr. Al P. Brende. Mr. Brende is also the President of Land Tejas Companies, Ltd.

In December 2021, the Original Developer sold its interest in the project to Astro Sunterra, L.P., a Delaware limited partnership ("Astro Sunterra"), which is the current primary developer of land in the Service Area. Astro Sunterra was established by Mr. Al Brende and Starwood Land Astro Venture LP as a special purpose entity for the purpose of developing land and marketing developed land within the Service Area. Starwood Land Astro Venture LP has entered into a management agreement with Land Tejas Companies, Ltd. for the purpose of managing the day-to-day development activities within the Service Area.

According to Astro Sunterra, the primary assets of Astro Sunterra consist of its land in the Service Area and reimbursements due from the Regional District and the Participants. Further, according to Astro Sunterra, it is currently operating with a net income, with its income comprised almost entirely of revenues from the sale of real estate.

Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte"), is the developer of Sunterra, Sections 10, 12, and 13 within the Service Area. Pulte is affiliated with PulteGroup, Inc., which is publicly traded company on the New York Stock Exchange under the ticker symbol "PHM." For more information, visit www.pultegroupinc.com.

HMH Sunterra Land, LLC, a Texas limited liability company ("HMH Sunterra"), is the developer of Sunterra, Section 22 within the Service Area. HMH Sunterra is affiliated with Brohn Homes, a privately owned homebuilder active in the Central Texas and Houston markets.

Gehan Homes, Ltd., a Texas limited partnership ("Gehan Homes"), is the developer of Sunterra, Sections 46 and 47 with the Service Area. Gehan Homes is a privately owned homebuilder active in the Texas and Arizona markets.

Beazer Homes Texas, L.P., a Delaware limited partnership ("Beazer Homes"), is the developer of Sunterra, Sections 42–45, 51, and 52 within the Service Area. Sunterra 6A-Katy LP serves as a land bank to Beazer Homes and is a principal landowner and taxpayer in the Service Area. Beazer Homes is a subsidiary of Beazer Homes USA, Inc., a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "BZH." For more information, visit www.beazer.com.

Astro Sunterra, Pulte, HMH Sunterra, Gehan Homes, and Beazer Homes are collectively referred to herein as the "Developers."

eveloper Financing

Astro Sunterra has obtained financing for a portion of the development of Sunterra through the Public Finance Authority of Wisconsin (the "PFA"). The PFA issued $164,990,000 Special Revenue Bonds, Series 2024 (the "PFA Bonds"), which are secured in part by the sale and assignment of Astro Sunterra's right to receive proceeds from the future sale of unlimited tax bonds issued by the Participants. According to Astro Sunterra, they are currently in compliance with all material representations and certifications made with respect to the PFA Bonds and have made the necessary certifications required by the Texas Attorney General ensuring the proceeds of the Bonds are being used for lawful purposes authorized under Texas law. See "INVESTMENT CONSIDERATIONS – Approval of the Bonds."

REGIONAL DISTRICT DEBT

General

The following tables and calculations relate to the Outstanding Bonds and the Bonds. The Regional District, the Participants, and various other political subdivisions of government which overlap all or a portion of the Regional District and the Participants are empowered to incur debt to be raised by taxation against all or a portion of the property within the Regional District and the Participants.

Regional Direct Debt:			
The Outstanding Bonds (as of the Date of Delivery)	$	117,365,000	
The System Bonds	$	26,255,000	
The Road Bonds	$	5,380,000	
Total Direct Debt	$	149,000,000	
Estimated Overlapping Debt	$	270,178,785	(a)
Total Direct and Estimated Overlapping Debt	$	419,128,785	(a)
Contract Revenue System Debt Service Fund Balance (as of June 25, 2026)	$	5,310,558	(b)(d)
Contract Revenue Road Debt Service Fund Balance (as of June 25, 2026)	$	5,611,788	(c)(d)

(a) Such amount includes the MUD 5 $5,305,000 Unlimited Tax Park Bonds, Series 2026, the MUD 569 $16,520,000 Unlimited Tax Bonds, Series 2026, the MUD 569 $2,140,000 Unlimited Tax Road Bonds, Series 2026, the MUD 35 $13,550,000 Unlimited Tax Bonds, Series 2026, and the MUD 37 $$5,785,000 Unlimited Tax Park Bonds, Series 2026. See "REGIONAL DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

(b) In addition to this amount, twelve (12) months of capitalized interest will be deposited into the Contract Revenue System Debt Service Fund upon closing and delivery of the System Bonds. Neither Texas law nor the System Bond Resolution requires that the Regional District maintain any particular sum in the Contract Revenue System Debt Service Fund. Money deposited into the Contract Revenue System Debt Service Fund can only be used to pay debt service on the Contract Revenue System Bonds, such as the System Bonds. Funds deposited into the Contract Revenue System Debt Service Fund are not pledged to the Contract Revenue Road Bonds, such as the Road Bonds.

(c) In addition to this amount, twelve (12) months of capitalized interest will be deposited into the Contract Revenue Road Debt Service Fund upon closing and delivery of the Road Bonds. Neither Texas law nor the Road Bond Resolution requires that the Regional District maintain any particular sum in the Contract Revenue Road Debt Service Fund. Money deposited into the Contract Revenue Road Debt Service Fund can only be used to pay debt service on the Contract Revenue Road Bonds, such as the Road Bonds. Funds deposited into the Contract Revenue Road Debt Service Fund are not pledged to the Contract Revenue System Bonds, such as the System Bonds.

(d) Each Participant is obligated to pay a pro rata share of debt service on the Contract Revenue Bonds by the dates specified by the Regional District. See "THE BONDS – Contract Payments by the Participants," "THE BONDS – Unconditional Obligation to Pay," and "REGIONAL DISTRICT CONTRACT."

Assessed Valuations of the Participants

Participant	2025 Gross Certified Assessed Valuation (a)	Percent of Total	2026 Gross Preliminary Taxable Assessed Valuation (b)	Percent of Total	Estimated Gross Assessed Valuation as of April 1, 2026 (c)	Percent of Total
MUD 4	$ 4,750,314	0.30%	$ 6,778,553	0.36%	$ 6,778,553	0.34%
MUD 5	588,716,620	37.76%	613,929,047	32.22%	617,956,065	30.87%
MUD 569	356,572,660	22.87%	522,837,054	27.44%	573,717,288	28.66%
MUD 35	231,656,768	14.86%	382,072,448	20.05%	402,179,026	20.09%
MUD 37	377,314,313	24.20%	379,992,940	19.94%	401,396,447	20.05%
Total	$ 1,559,010,675	100.00%	$ 1,905,610,042	100.00%	$ 2,002,027,379	100.00%

(a) Represents the gross assessed valuation as of January 1, 2025, of all taxable property of all Participants in the Service Area, as provided by the Waller County Appraisal District and the Harris Central Appraisal District, as applicable. See "TAXING PROCEDURES" and "TAX DATA."

(b) Represents the gross preliminary taxable assessed valuation as of January 1, 2026, of all taxable property of the Participants as provided by the Waller County Appraisal District and the Harris Central Appraisal District, as applicable. The preliminary values of the Participants are subject to protest by the owners of taxable property in the respective Participant. No taxes will be levied on the preliminary values. See "TAX DATA" and "TAXING PROCEDURES."

(c) This amount includes an estimate of the gross assessed value of all taxable property located within the Participants as provided by the Waller County Appraisal District and the Harris Central Appraisal District, as applicable, as of April 1, 2026. No taxes will be levied on these estimated values. See "TAX DATA" and "TAXING PROCEDURES."

Tax Rates of the Participants

The Participants pay contract payments to the Regional District each March 1 and September 1 in equal amounts. The contract payment calculations for each Participant are based on the Participant's Gross Certified Assessed Valuation, as defined in the Regional District Contract, and does not make allowance for any exemptions granted by the Participant. See "REGIONAL DISTRICT CONTRACT."

Participant	2025 Debt Service Tax Rate	2025 Maintenance Tax Rate	2025 Contract Tax Rate (a)	2025 Total Tax Rate
MUD 4	$ 0.000	$ 1.040	$ 0.460	$ 1.500
MUD 5	0.640	0.370	0.490	1.500
MUD 569	0.640	0.355	0.505	1.500
MUD 35	0.535	0.480	0.485	1.500
MUD 37	0.610	0.400	0.490	1.500

(a) The Regional District Contract provides that a Participant may make Contract Payments from the proceeds of the Contract Tax or from any other lawful sources, which include proceeds from the Participant's levy of a maintenance tax rate and operating funds advanced by the Developers. See "REGIONAL DISTRICT CONTRACT."

Debt Ratios

Direct Debt Ratios (a):	
As a percentage of the 2025 Gross Certified Assessed Valuation of the Participants	9.56 %
As a Percentage of the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants	7.82 %
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of April 1, 2026	7.44 %
Direct and Estimated Overlapping Debt Ratios (a):	
As a Percentage of the 2025 Gross Certified Assessed Valuation of the Participants	26.89 %
As a Percentage of the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants	22.00 %
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of April 1, 2026	20.94 %

(a) Includes the Bonds and the Outstanding Bonds.

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the Regional District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the Regional District, the Regional District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the Regional District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes. Totals may not sum due to rounding.

	Outstanding Debt	Overlapping	
Taxing Jurisdiction	May 31, 2026	Percent	Amount
Waller County	$ 169,535,000	7.22%	$ 12,243,140
Katy Independent School District (a)	2,514,530,000	2.28%	57,229,775
Royal Independent School District (a)	200,632,994	5.12%	10,278,154
Harris County	2,743,177,553	0.07% (b)	1,906,088
Harris County Flood Control District	937,165,000	0.07% (b)	665,010
Harris County Department of Education	28,960,000	0.07% (b)	20,114
Harris County Hospital District	861,580,000	0.07% (b)	657,492
Port of Houston Authority	386,074,397	0.07% (b)	274,011
Harris-Waller Counties MUD No. 5 (c)	60,290,000	100.00%	60,290,000
Waller County MUD No. 37 (d)	40,055,000	100.00%	40,055,000
Harris County MUD No. 569 (e)	52,715,000	100.00%	52,715,000
Waller County MUD No. 35 (f)	33,845,000	100.00%	33,845,000
Total Estimated Overlapping Debt			$ 270,178,785
The Regional District (g)			$ 149,000,000
Total Direct & Estimated Overlapping Debt (g)			$ 419,128,785

(a) The portion of the Service Area within MUD 35 is located in Royal Independent School District. The remainder of the Service Area is located in Katy Independent School District.

(b) A portion of the Service Area is located in Harris County, Texas. The 2025 taxable assessed value of such property located within the Service Area in Harris County represents less than 0.07% of the value of the Harris County taxing jurisdictions noted above.

(c) The outstanding debt of MUD 5 noted above includes the $5,305,000 Unlimited Tax Park Bonds, Series 2026, which are expected to close on or about August 25, 2026.

(d) The outstanding debt of MUD 37 noted above includes the $5,785,000 Unlimited Tax Park Bonds, Series 2026, which are expected to close on or about August 18, 2026.

(e) The outstanding debt of MUD 569 noted above includes the $16,520,000 Unlimited Tax Bonds, Series 2026, and the $2,140,000 Unlimited Tax Road Bonds, Series 2026, which are expected to close on or about August 13, 2026.

(f) The outstanding debt of MUD 35 noted above includes the $13,550,000 Unlimited Tax Bonds, Series 2026, which are expected to close on or about August 13, 2026.

(g) Includes the Bonds and the Outstanding Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

Each Participant is authorized to levy a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within its boundaries in sufficient amount to pay the principal of and interest on any unlimited tax bonds issued by it, Contract Payments on the Contract Revenue Bonds, including the Outstanding Bonds and the Bonds, that the Regional District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. Voters within each Participant have also authorized the levy of a maintenance and operations tax not to exceed $1.500 per $100 valuation for the operation and maintenance of water, wastewater, drainage, and park and recreational facilities and a maintenance and operations tax not to exceed $0.250 per $100 valuation for the operation and maintenance of road facilities.

Property Tax Code and County wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Regional District is located in Waller County and Harris County. The Waller County Appraisal District has the responsibility for appraising property in the Regional District located within Waller County and the Harris Central Appraisal District has the responsibility for appraising property in the Regional District located within Harris County. Such appraisal values are subject to review and change by the Waller County Appraisal Review Board or the Harris County Appraisal Review Board, as applicable. Under certain circumstances, taxpayers and taxing units (such as the Regional District) may appeal the orders of said appraisal review board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by court of by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by either the Waller County Appraisal District or the Harris Central Appraisal District, as applicable, and approved by the applicable appraisal review board, must be used by each taxing jurisdiction in establishing its tax roll and rate. The Regional District is eligible, along with all other conversation and reclamation districts within Waller County and Harris County, to participate in the nomination of and vote for a member of the Board of Directors of each county's respective appraisal district.

Property Subject to Taxation by the Participants

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in in each Participant are subject to taxation by that Participant. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, each Participant may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The Participants may be required to offer such exemptions if a majority of voters approve same at an election. The Participants would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The Participants are authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the Participant's obligation to pay tax supported debt incurred prior to adoption of the exemption by the Participant. Furthermore, the Participants must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. To date, no Participant has granted an exemption for persons over 65 years of age and for disabled persons.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted before July 1. To date, none of the Participants have adopted a homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the Participants do not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the Participants may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The Participants have taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County or Waller County may designate all or part of the Service Area within its boundaries a reinvestment zone. Thereafter, Harris County, Waller County and the Participant, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the Participants, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, neither Harris County nor Waller County has designated any of the Service Area as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the Service Area must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the Participants in establishing their tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Participants can collect taxes based on the new use, including taxes for the previous three (3) years, for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county wide basis. The Participants, however, at their expense, have the right to obtain from the Appraisal District a current estimate of appraised values within that Participant or an estimate of any new property or improvements within that Participant. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the Service Area, it cannot be used for establishing a tax rate within the Service Area until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the Participants, adopting its tax rate for the tax year. A taxing unit, such as the Participants, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Participant and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Participants, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Participants and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The Participants are responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within that Participant, based upon: a) the valuation of property within that Participant as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the Participant and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the Participant and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the Participant, may be rejected by taxing units. The Participant's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of taxes, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the Participants, if the taxpayer pays at least ¼th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

Additionally, the Property Tax Code authorizes a taxing jurisdiction, such as the Participants, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Rollback of Maintenance and Operations Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies certain municipal utility districts, including the Regional District, differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Low Tax Rate Districts

Low Tax Rate Districts that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The Participants

For the 2026 tax year, each Participant has made the determination of its status as a Developing District. The Participants cannot give any assurances as to what its classification will be at any point in time or whether the Participants' future tax rates will result in a total tax rate that will reclassify the Participants into a new classification and new election calculation.

Participant's Rights in the Event of Tax Delinquencies

Taxes levied by the Participants are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of Texas and each taxing unit, including the Participants, having the power to tax the property. The Participants' tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Participants is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the Regional District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the Regional District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Regional District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The Regional District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the Regional District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS – Tax Collection Limitations."

INVESTMENT CONSIDERATIONS

General

The Bonds are special obligations of the Regional District payable solely from the Contract Payments and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Houston, Texas; any of the Participants (except the Regional District in its capacity as the Regional District); or any entity other than the Regional District. The Contract Revenue Bonds, including the Bonds, are payable solely from and to the extent of certain contract payments received by the Regional District from the Participants pursuant to the Regional District Contract, with each Participant's annual contract payment being equal to its pro rata share of annual debt service on the Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds, established under the Bond Resolutions based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the "Gross Certified Assessed Valuation") of each such Participant as a percentage of the total Gross Certified Assessed Valuation of all Participants (the "Contract Payments").

Economic Factors and Interest Rates

The rate of development of the Service Area is directly related to the vitality of the residential and commercial industry in the Houston area. New residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of residential construction activity would restrict the growth of property values within the Service Area. The Regional District and Participants cannot predict the pace or magnitude of any future development within the Service Area. See "THE REGIONAL DISTRICT – Status of Development Within the Service Area."

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for developmental costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the Service Area. Because of the numerous and changing factors affecting the availability of funds, the Regional District is unable to assess the future availability of such funds for continued construction within the Service Area. In addition, since the Service Area is located approximately 30 miles from the central downtown business district of Houston, the success of development within the Service Area and growth of Service Area taxable property values are, to a great extent, a function of the Houston and regional economies. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans within the Service Area and restrain the growth of the Service Area's property tax base.

Competition

The demand for and construction of single-family homes within the Service Area could be affected by competition from other residential developments including other residential developments located in the western portion of the Houston area. In addition to competition for new home sales from other developments, there are numerous previously owned homes near the Service Area and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the Service Area.

The competitive position of the Developers in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the Service Area is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values within the Service Area. The Regional District can give no assurance that building and marketing programs within the Service Area by the Developers will be implemented or, if implemented, will be successful.

Dependence on Major Taxpayers and the Developers

The top ten principal taxpayers within the Service Area represent $176,119,134, or approximately 11.30%, of the 2025 Gross Certified Assessed Valuation of the property within the boundaries of the Participants, which is $1,559,010,675, and represents ownership in the Participants' boundaries as of January 1, 2025. See "TAX DATA – Principal Taxpayers." If the Developers, any other principal taxpayer, or any combination of taxpayers, were to default in the payment of taxes in an amount which exceeds the amount in the Contract Revenue System Debt Service Fund or the Contract Revenue Road Debt Service Fund, the ability of the Regional District to make timely payment of debt service on the Bonds would be dependent on the ability of Participants to enforce and liquidate their tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in a Participant being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The Regional District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its Contract Revenue System Debt Service Fund or Contract Revenue Road Debt Service Fund. See "INVESTMENT CONSIDERATIONS – Tax Collection Limitations," "TAXING PROCEDURES – Levy and Collection of Taxes," and "APPENDIX A – Certain Financial Information Regarding the Participants."

The Developers have informed the Board that their current plans are to develop the remaining undeveloped land and to continue marketing the remaining developed lots in the Participants to homebuilders. However, neither the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The Regional District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers or any other landowner within the Service Area to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The Regional District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers or any other landowner. See "THE DEVELOPERS."

Undeveloped Acreage and Vacant Lots

As of March 26, 2026, there were approximately 1,130 vacant developed lots within the Service Area. The Regional District makes no representation as to when or if development of the undeveloped but developable acreage will occur or that the lot sales and building program will be successful. See "THE REGIONAL DISTRICT – Status of Development Within the Service Area."

Rental Homes

The homes constructed in Sunterra, Section 21 (approximately 114 lots) have been constructed by ONML Villas as rental properties. It is anticipated that ONML Villas will continue to own all of the homes constructed in Sunterra, Section 21 and will continue to be a principal taxpayer in the Service Area.

ONML Villas as the owner of the homes in Sunterra, Section 21, is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front yards.

The homes constructed in Sunterra, Section 26 and 27, (approximately 133 lots) are owned by Sunterra SFR Owner LLC as rental properties. It is anticipated that Sunterra SFR Owner LLC will continue to own all of the homes in Section 26 and 27 and will continue to be a principal taxpayer in the Service Area. On the 2025 certified tax roll, such taxpayer represents a total of $56,159,170 or 3.60% of the 2025 Certified Taxable Assessed Valuation of $1,559,010,675. See "TAX DATA – Principal Taxpayers."

Sunterra SFR Owner LLC as the owner of the homes in Sunterra, Section 26 and 27, is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front yards.

Increase in Costs of Building Materials

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the developer or homebuilders in the Regional District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the Participant. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the Regional District. The Regional District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the developers or homebuilders.

Maximum Impact on Contract Tax Rate

Assuming no further development, the value of the land and improvements currently within the Participants will be the major determinant of the ability and willingness of property owners to pay their taxes. The 2025 Gross Certified Assessed Valuation of the Participants is $1,559,010,675, the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants is $1,905,610,042, and the Estimated Gross Assessed Valuation of the Participants as of April 1, 2026, is $2,002,027,379. See "TAX DATA." After issuance of the Bonds, the estimated maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be $10,573,013 (2048) and the estimated average annual debt service requirement on the Outstanding Bonds and the Bonds will be $9,454,649 (2026–2052). Assuming no increase or decrease from the 2025 Gross Certified Assessed Valuation of the Participants, a Contract Tax rate of $0.72 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement on the Outstanding Bonds and the Bonds, and a Contract Tax rate of $0.64 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated average annual debt service requirement on the Outstanding Bonds and the Bonds. Assuming no increase or decrease from the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants, a Contract Tax rate of $0.59 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement on the Outstanding Bonds and the Bonds and a Contract Tax rate of $0.53 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated average annual debt service requirement on the Outstanding Bonds and the Bonds. Assuming no increase or decrease from the Estimated Gross Assessed Valuation of the Participants as of April 1, 2026, a Contract Tax rate of $0.56 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement on the Outstanding Bonds and the Bonds, and a Contract Tax rate of $0.50 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated average annual debt service requirement on the Outstanding Bonds and the Bonds. See "SELECTED FINANCIAL INFORMATION" and "TAX DATA – Tax Rate Calculations."

Overlapping Debt and Tax Rates

The Regional District and each Participant may each independently issue additional debt which may change the projected and actual tax rates in the future.

Landowners are or will be responsible for the payment of ad valorem taxes levied by each Participant for payment of Contract Payments. In addition, owners of property located within the Participants are responsible for the payment of ad valorem taxes levied by each Participant for the payment of debt service on unlimited tax bonds issued by each Participant and ad valorem taxes levied by each Participant for the purpose of paying the Participant's operation and maintenance costs. See "APPENDIX A – Certain Financial Information Regarding the Participants" for information related to each Participant's indebtedness and taxation requirements.

In addition, property located within the Service Area is subject to taxation by various other governmental entities. See "INVESTMENT CONSIDERATIONS – Debt Burden on Property Within the Service Area" and "TAX DATA – Estimated Overlapping Taxes."

Debt Burden on Property Within the Service Area

The total tax rate paid by property owners within the Service Area is a major factor in the demand for single-family homes within the Service Area. The Regional District Contract requires that the Participants make Contract Payments from the Contract Tax. In addition, other contract tax payments are required of the Participants by the Regional District Contract. See "REGIONAL DISTRICT CONTRACT." Furthermore, each Participant will be required to levy taxes on property within its boundaries (without legal limit as to rate or amount) to pay annual principal and interest on any unlimited tax bonds issued in the future by the Participant to fund internal water, wastewater, drainage, and road facilities within the Participant's boundaries. Each Participant may also levy taxes on property within its boundaries to pay operations and maintenance expenses. For the 2025 tax year, each Participant has levied a total tax rate of $1.50.

The tax rate that may be required to service debt on any bonds issued by the Regional District or a Participant is subject to numerous uncertainties such as the growth of taxable values within such district, the amount of the bonds issued, regulatory approvals, construction costs and market interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated in Sunterra will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the Service Area and the investment quality or security of the Bonds could be adversely affected.

In addition, the Participants are within the taxing jurisdiction of other taxing entities, including Waller County, Harris County, Katy Independent School District, and Royal Independent School District, as applicable. Each of these entities currently levies various taxes on property within the boundaries, as applicable, of the Participants in addition to the other taxes listed above.

Operational Expenses

Each Participant is obligated to pay monthly charges to the Regional District for its share of the Regional District's operation and maintenance expenses in connection with the Regional District's provision of service from the Regional District Facilities. The monthly charges to be paid by each Participant to the Regional District will be used to pay each Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Participant's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Regional District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Regional District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections ("ESFCs") reserved to each Participant on the first day of the previous month by the unit cost per ESFC. See "THE REGIONAL DISTRICT FACILITIES."

No Reserve Fund

The Bonds will be issued pursuant to the Bond Resolutions wherein the Contract Payments will be pledged to payment of debt service on the Bonds. The Bond Resolutions confirm the Contract Revenue System Debt Service Fund and the Contract Revenue Road Debt Service Fund but does not create designated reserve funds. Each Participant's pro rata share of the Contract Payments is calculated by the Regional District. The Regional District's annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year's annual debt service requirements and, at the option of the Regional District, up to 50% of the following year's annual debt service requirements to establish a replenishment amount in the debt service funds, which when paid by the Participants, will be deposited into the respective debt service funds. Delay or failure of any Participant to pay its pro rata share of the debt service requirements may adversely affect payment of the Bonds. There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of the Registered Owners (herein defined). Any action in mandamus as a result of a payment or other default under the Bond Resolutions would have to be brought by the Registered Owners themselves against the Regional District, and such an action would not necessarily operate to enforce rights against other Participants. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies and Bankruptcy."

The Regional District further covenants that if at any time the fund balance in either the Contract Revenue Road Debt Service Fund or the Contract Revenue System Debt Service Fund falls below 10% of the following year's debt service requirement for the respective bonds, it will levy the maximum amount allowed under the Bond Resolutions (100% of the next year's debt service requirement plus 50% of the following year's debt service requirement) until such time that the debt service fund balance in the respective fund exceeds 50% of the next year's debt service requirement.

Tax Collection Limitations

The Regional District's ability to make debt service payments may be adversely affected by each Participant's inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien in favor of such Participant on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. A Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the Participant's boundaries and limiting the proceeds from a foreclosure sale of such property, or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential property and all other property after the purchaser's deed issued at the foreclosure is filed in the county records. While the Participant has a lien on taxable property within the Participant's boundaries for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the Participant from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the Participant's boundaries pursuant to Federal Bankruptcy Code could stay any attempt by such Participant to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid" See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "INVESTMENT CONSIDERATIONS – No Reserve Fund."

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners" and each a "Registered Owner") have a right to seek a writ of mandamus requiring the Regional District to levy adequate taxes each year to make such payments. Except for the mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce such interests of the Registered Owners. There is no provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the Regional District, such a judgment could not be enforced by a direct levy and execution against the Regional District's property. Further, the Registered Owners themselves cannot foreclose on property within the Service Area or sell property within the Service Area in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Regional District. In this regard, should the Regional District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the Regional District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge" See "THE BONDS – Registered Owners' Remedies."

Future Debt

Pursuant to the Regional District Contract and in connection with the development of the Service Area, the Regional District may issue Contract Revenue Bonds in an amount necessary to provide the Regional District Facilities. The Regional District Contract also authorizes the Regional District to refund any outstanding Contract Revenue Bonds. Any future Contract Revenue Bonds will be on a parity with the Bonds. The Regional District is expected to issue additional Contract Revenue Bonds. The Regional District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of Contract Revenue Bonds which it may issue. The issuance of additional Contract Revenue System Bonds is subject to approval by the TCEQ pursuant to its rules and regarding issuance and feasibility of bonds. See "INVESTMENT CONSIDERATIONS – Maximum Impact on Contract Tax Rate" and "THE BONDS – Issuance of Additional Debt."

The Regional District Contract obligates each Participant to pay a pro rata share of the debt service on the Contract Revenue Bonds based upon the Gross Certified Assessed Valuation of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually. Each Participant is obligated to make such Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on all taxable property within its boundaries, or also known as the "Contract Tax," from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful source of such Participant's income.

Pursuant to the Regional District Contract and after the issuance of the Bonds, the Regional District will have $524,047,000 principal amount of Contract Revenue System Bonds remaining authorized but unissued, $135,266,000 principal amount of Contract Revenue Road Bonds remaining authorized but unissued, and such additional bonds as may hereafter be approved by both the Board and voters of the Participants. See "THE BONDS – Issuance of Additional Debt."

The Bonds and all additional Contract Revenue Bonds issued by the Regional District, will be payable from the Contract Tax.

Following the Regional District's issuance of the Bonds, the Regional District will owe Astro Sunterra approximately $54,217,744 for reimbursable expenditures made by Astro Sunterra to construct the Regional District Facilities. See "THE BONDS – Issuance of Additional Debt."

Each Participant may issue unlimited tax bonds for water, wastewater, drainage, road, and park and recreational services, with any required approval of the TCEQ, necessary to provide and maintain improvements and facilities to serve land within their respective boundaries consistent with the purposes for which the Regional District or such other Participant was created. TCEQ approval is not currently required for the Regional District or any Participant to issue bonds for the purpose of constructing or acquiring road facilities.

Each Participant, including MUD 4, has voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within its respective boundaries. At an election held on May 1, 2021, voters of MUD 4 authorized MUD 4's issuance of the following: $27,610,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing facilities necessary to provide water, sanitary sewer, and storm water drainage systems serving MUD 4; $8,284,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 4 for acquiring or constructing facilities necessary to provide water, sanitary sewer, and storm water drainage systems serving MUD 4; $28,545,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve MUD 4; $8,564,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 4 for acquiring or constructing roads and improvements in aid thereof to serve MUD 4; $23,285,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities in MUD 4; and $6,986,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 4 for acquiring or constructing parks and recreational facilities in MUD 4. To date, MUD 4 has issued no bonds for internal facilities from such voted authorizations from the May 1, 2021, election.

See "APPENDIX A – Certain Financial Information Regarding the Participants" for a description of the voter authorized bonds, principal amount of bonds issued (if any), and principal amount of bonds outstanding for each Participant.

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the Regional District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the Service Area. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the Regional District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a "serious" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the Regional District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) ("CGP"), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The Regional District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The Regional District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the Regional District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

Operations of utility districts, including the Reginal District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The Regional District must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the Regional District require that wetlands be filled, dredged, or otherwise altered.

In 2023, the Supreme Court of the United States issued its decision in *Sackett* v. EPA, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the Regional District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Potential Effects of Oil Price Fluctuations on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the Service Area. The Regional District cannot predict the impact that negative conditions in the oil industry could have on property values in the Service Area.

Specific Flood Type Risks

The Service Area may be subject to the following flood risks:

Ponding (or Pluvial) Flood. Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine (or Fluvial) Flood. Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

National Weather Service Atlas Rainfall Study

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the Service Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the Service Area. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Potential Impact of Natural Disaster

The Service Area is located approximately 75 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the Service Area, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value in the Service Area or an increase in the Participant's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty loss to taxable property within the Service Area will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the Service Area that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the Service Area are adversely affected.

Marketability

The Regional District has no understanding (other than the initial reoffering yields) with the winning bidders for the Bonds (the "Initial Purchasers") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Continuing Compliance with Certain Covenants

The Bond Resolutions contain covenants by the Regional District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the Regional District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS."

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Cybersecurity

The Regional District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the Regional District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the Regional District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the Regional District's finances. Insurance to protect against such breaches may be limited.

Bond Insurance Risk Factors

The Regional District has applied for a separate bond insurance policy for each series of the Bonds to guarantee the scheduled payment of principal and interest on each series of the Bonds. The Regional District has yet to determine whether an insurance policy will be purchased with each series of the Bonds. If an insurance policy is purchased, the following are Investment Considerations relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Regional District which is recovered by the Regional District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absence such prepayment by the Regional District unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND INSURANCE."

The obligations of the bond insurer are contractual obligations and in an event of default by the bond insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Regional District nor the Initial Purchasers have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Participants to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

TAX DATA

Contract Tax

The Regional District has the authority to issue Contract Revenue Bonds. Each Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each Participant's Gross Certified Assessed Valuation by the total of all Participants' Gross Certified Assessed Valuation, calculated annually. Calculation of the Contract Payments is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemption granted by the Participants; however, allowances are made for exemptions provided under State law that do not require action by the Participants. See "TAXING PROCEDURES." The Regional District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual unlimited Contract Taxes, from revenues derived from the operation of its water distribution and wastewater collection systems, or from any other legally available funds. The debt service requirement shall include principal, interest, and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amount necessary to establish and maintain funds established under the applicable bond resolution.

Debt Service Tax

Each Participant has the statutory authority to issue its unlimited tax bonds for the purpose of providing facilities to serve the land within its boundaries. Such bonds will be paid by a continuing direct annual ad valorem tax, without legal limit as to rate or amount, adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to Contract Taxes. See "APPENDIX A – Certain Financial Information Regarding the Participants" for information related to each Participant's historical tax data and authorized but unissued unlimited tax bonds.

Maintenance and Operations Tax

Each Participant has the statutory authority to levy and collect an annual ad valorem tax for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing, and operating all necessary land, plants, works facilities, improvements, appliances, and equipment, if such maintenance and operations tax is authorized by a vote of the Participant's electors. Each Participant is authorized by its voters to levy such maintenance tax in an amount not to exceed $1.50 per $100 of assessed valuation.

MUD 4, MUD 5, and MUD 37 are also authorized by its voters to levy a maintenance tax for road improvements in an amount not to exceed $0.25 per $100 of assessed valuation.

Such taxes would be in addition to Contract Taxes and taxes levied for paying principal of and interest on any unlimited tax bonds which may be issued by the Participants. See "APPENDIX A – Certain Financial Information Regarding the Participants."

Tax Rate Limitation

Contract Tax:	Unlimited (no legal limit as to rate or amount).
Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$1.50 per $100 Taxable Assessed Valuation.
Maintenance (Roads):	$0.25 per $100 Taxable Assessed Valuation.

Estimated Overlapping Taxes

Property within the Regional District is subject to taxation by several taxing authorities in addition to the Participants. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of a Participant is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of a Participant and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes and the Participants are authorized to levy Contract Taxes. See "REGIONAL DISTRICT DEBT – Estimated Direct and Overlapping Debt Statements."

Set forth below is an estimation of all taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2025 taxes per $100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

	2025 Tax Rates	
Taxing Jurisdiction	Waller County (a)	Harris County (b)
The Participants	$1.500000	$1.500000
Waller County	0.532596	---
Waller County Road	0.023591	---
Brookshire Katy Drainage District	0.057850	---
Waller Harris Emergency Service District No. 200	0.100000	0.100000
Katy Independent School District (c)	1.117100	1.117100
Harris County	---	0.380960
Harris County Flood Control District	---	0.049660
Harris County Department of Education	---	0.004798
Harris County Hospital District	---	0.187610
Port of Houston Authority	---	0.005900
Total Tax Rate	$3.331137	$3.346028

(a) Approximately 1,622.36 acres of the Service Area are located in Waller County, Texas.

(b) Approximately 681.52 acres of the Service Area are located in Harris County, Texas.

(c) The portion of the Service Area within MUD 35 is located in Royal Independent School District. The remainder of the Service Area is located in Katy Independent School District. For the 2025 tax year, Royal Independent School District levied a total tax rate of $1.069917.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed taxable valuation which would be required to meet certain debt service requirements of the Outstanding Bonds and the Bonds if no growth in the Participant's tax base occurs beyond the 2025 Gross Certified Assessed Valuation ($1,559,010,675), the 2026 Gross Preliminary Taxable Assessed Valuation ($1,905,610,042), or the Estimated Gross Assessed Valuation of the Participants as of April 1, 2026 ($2,002,027,379). The calculations assume collection of 95% of taxes levied, the sale of the Bonds, but not the sale of any additional bonds by the Regional District.

Estimated Average Annual Debt Service Requirement (2026–2052) $9,454,649
Contract Tax Rate of $0.64 on the 2025 Gross Certified Assessed Valuation produces $9,478,785
Contract Tax Rate of $0.53 on the 2026 Gross Preliminary Taxable Assessed Valuation produces $9,594,747
Contract Tax Rate of $0.50 on the Estimated Gross Assessed Valuation as of April 1, 2026 produces $9,509,630

Estimated Maximum Annual Debt Service Requirement (2048) $10,573,013
Contract Tax Rate of $0.72 on the 2025 Gross Certified Assessed Valuation produces $10,663,633
Contract Tax Rate of $0.59 on the 2026 Gross Preliminary Taxable Assessed Valuation produces $10,680,944
Contract Tax Rate of $0.56 on the Estimated Gross Assessed Valuation as of April 1, 2026 produces $10,650,786

Gross Assessed Valuation Summary

The following represents the type of property comprising the 2025 tax rolls of each Participant as certified by the Appraisal District.

Type of Property	MUD 4 2025 Gross Certified Assessed Valuation	MUD 5 2025 Gross Certified Assessed Valuation	MUD 569 2025 Gross Certified Assessed Valuation	MUD 35 2025 Gross Certified Assessed Valuation	MUD 37 2025 Gross Certified Assessed Valuation
Land	$ 3,266,205	$106,532,354	$127,101,704	$106,468,372	$ 79,352,917
Improvements	1,992,810	515,639,813	238,030,607	137,883,649	325,051,338
Personal Property	367,118	4,210,993	4,389,776	191,940	1,520,518
Exemptions	(875,819)	(37,666,540)	(12,949,427)	(12,887,193)	(28,610,461)
Total	$ 4,750,314	$588,716,620	$356,572,660	$231,656,768	$377,314,313

Principal Taxpayers

The following are the principal taxpayers in the Service Area as shown on the Participant's certified appraisal rolls for the 2025 tax year.

Taxpayer	Types of Property	Gross Value 2025 Tax Roll	Percent of District Value
Sunterra SFR Owner LLC (a)	Land & Improvements	$ 56,159,170	3.60%
Encore ONML Villas at Sun (a)	Land & Improvements	30,678,771	1.97%
DR Horton Texas LTD (c)	Land & Improvements	26,830,766	1.72%
GBFR Sunterra LP	Land & Improvements	17,781,202	1.14%
Lennar Homes of Texas Land (c)	Land & Improvements	10,996,010	0.71%
Astro Sunterra LP (b)	Land & Improvements	9,636,708	0.62%
AG EHC II (Len) Multi Sta	Land & Improvements	8,296,726	0.53%
Gehan Homes LTD (c)	Land & Improvements	6,175,000	0.40%
Sunterra 6A-Katy LP (d)	Land & Improvements	4,883,130	0.31%
Westin Homes & Properties (c)	Land & Improvements	4,681,651	0.30%
		$176,119,134	11.30%

(a) See "INVESTMENT CONSIDERATIONS – Rental Homes."

(b) See "THE DEVELOPERS – Developers."

(c) See "THE REGIONAL DISTRICT – Homebuilders Active Within the Service Area."

(d) Such entity is affiliated with Beazer Homes Texas, L.P., a developer and homebuilder in the District. See "THE DEVELOPERS."

THE REGIONAL DISTRICT FACILITIES

General

The internal water distribution, wastewater collection, and stormwater facilities are being provided by the Participants. Water supply and wastewater treatment are being provided and financed by the Regional District but owned and operated by Quadvest through contractual agreement. All of such water, wastewater, and drainage facilities are referred to herein as the "System." The Regional District, pursuant to the Regional District Contract, has the responsibility to finance such regional facilities necessary to serve the Service Area.

Regulation

Construction and operation of the water, wastewater, and drainage facilities serving the Service Area is subject to regulation by all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the United States Environmental Protection Agency, TCEQ, Harris County, Waller County, the City, and the Brookshire-Katy Drainage District. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Wholesale Agreement for Water and Wastewater Service

On September 15, 2020, the Original Developer and Quadvest, L.P., a Texas Limited Partnership ("Quadvest"), entered into that Wholesale Agreement for Water and Wastewater Service (the "Wholesale Agreement") to provide water supply and wastewater treatment capacity to serve up to 3,000 ESFCs in Sunterra. On May 10, 2021, the Wholesale Agreement was assigned by the Original Developer to the Regional District and amended to provide for water supply and wastewater treatment capacity to serve up to 6,968 ESFCs in the Service Area. On August 18, 2022, a second amendment of the Wholesale Agreement was entered into by the parties.

Under the terms of the Wholesale Agreement, Quadvest is responsible for financing and constructing the water supply and wastewater treatment plants (the "Plant Facilities") to provide water and wastewater service to the Participants, including the Regional District, via the Regional District. The Regional District and the Participants are responsible for financing and constructing the facilities to deliver water and wastewater service to customers within the Service Area. In exchange for constructing and operating the Plant Facilities, Quadvest has received or will receive the following:

a) Initial Payment – the Original Developer made an initial payment of $500,000 to Quadvest. Such payment will offset the final Capacity Payments (defined below).

b) Capacity Payments – Quadvest will receive $1,150 per platted lot (the "Capacity Payments"). The Capacity Payments are due the earlier of:

   a. Issuance of Regional District bond proceeds for such Capacity Payments; or

   b. Thirty-six (36) months following the recording of the plat for each section.

Source of Water Supply and Wastewater Treatment

The Participants, including the Regional District, obtain water from the Regional District which obtains water from Quadvest, which holds Certificate of Convenience and Necessity No. 11612 for water according to the Wholesale Agreement.

Quadvest has completed construction of Water Plant No. 1 which consists of 2 water wells (approximately 1035 gpm); two (2) 352,500-gallon ground storage tanks; two (2) 15,000 gallon hydro-pnuematic tanks; and six (6) 1,200 gpm booster pumps. Quadvest has completed construction of Water Plant No. 3 – Phase 1 and two (2) water wells to provide additional service to the Regional District. Water Plant No. 3 consists of two (2) water wells (approximately 400-gpm and 1,200-gpm of capacity); one (1) 352,500-gallon ground storage tanks; one (1) 15,000-gallon hydro-pneumatic tanks; and three (3) 1,200-gpm booster pumps.

Quadvest is currently constructing Water Plant No. 2 to provide additional service to the Regional District. Water Plant No. 2 will consist of two (2) water wells (approximately 1,000-gpm of capacity); and one (1) 750,000-gallon elevated storage tank. The anticipated construction completion date of the Elevated Storage Tank is December 2026. Currently, approximately 6,186 ESFCs are being served in the Service Area.

The Participants, including the Regional District, obtain wastewater capacity from the Regional District, which obtains wastewater treatment capacity from Quadvest through the Sunterra Wastewater Treatment Plant Phase I which has an average daily flow of 1,000,000 gpd. The TCEQ issued Quadvest a wastewater discharge permit for the Sunterra Wastewater Treatment Plant, dated May 20, 2022, authorizing the treatment and disposal from the facility (Texas Pollutant Discharge Elimination System Permit No. WQ0016041001), which expires on May 20, 2027. The Sunterra Wastewater Treatment Plant Phase I is capable of serving 4,000 ESFCs. Quadvest is currently operating in Phase II of the permit. In Phase II, the final effluent average daily flow is limited to 1,000,000 gpd, with a maximum peak flow of 2,778 gpm during any two-hour period (2-hour peak). Currently, approximately 6,186 ESFCs are being served in the Service Area.

Quadvest is currently constructing the Sunterra Wastewater Treatment Plant Phase II which will have an average daily flow of 2,000,000 gpd. The construction started in December 2024 with an anticipated completion in July 2026.

Upon completion of Sunterra Wastewater Treatment Plant Phase II, Quadvest will be operating in Phase III of the permit. In Phase III, the final effluent average daily flow is limited to 2,000,000 gpd, with a maximum peak flow of 5,556 gpm during any two-hour period (2-hour peak). Upon completion, the wastewater facilities will have the total capacity 2,000,000 gpd (capable of serving 8,000 ESFCs at 250 gpd/ESFC).

Storm Drainage

The Service Area is located within the Cane Island Branch and Snake Creek watersheds. The Service Area contains storm water detention basins that are designed in accordance with the Brookshire-Katy Drainage District and the City's standards. The basin systems have three separate outfall locations that discharge into Cane Island Branch and Snake Creek.

Prior to development, the land contained within the Service Area's boundary naturally drained from northwest to southeast to the Cane Island Branch and the Clay Road roadside ditch. Cane Island Branch flows southernly and eventually the storm water enters Buffalo Bayou. For the land within the Service Area, curb and gutter streets with underground storm sewers were constructed with Sunterra Sections 1– 44, 46, 49, and 50, Sunterra Shores Section 1 - 4, Sunterra Shores Section 2, Crystal Vista Drive, Bartlett Road, Stockdick Road projects, Sunterra Drainage Pipes and Outfalls, and Sunterra Phase 1, 2, 2B, 3 South, 3 North, Pod 1&2 Detention and Mass Grading. All undeveloped land drains naturally to boundary swales and future detention areas that flow to Cane Island Branch. Storm water is conveyed through the storm sewers, into the detention system, then into Cane Island Branch, and from Cane Island Branch, the storm water enters Buffalo Bayou.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the "100-year flood plain," is depicted on these maps. The 100-year flood plain as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, approximately 0 acres within the Service Area lie within the 100-year floodplain.

A formal Letter of Map Revision (LOMR) was submitted to FEMA for the Sunterra Development. All sections of development within the Regional District were included in the LOMR. On June 29, 2023, FEMA approved the LOMR, and the maps became effective on November 20, 2023.

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the Regional District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the Regional District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the Regional District under the Constitution and laws of the State of Texas payable from Contract Payments, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect, and to the effect that (i) interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Code (as defined below)) for the purpose of computing the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "– Book-Entry-Only System," "Use and Distribution of System Bond Proceeds," and "Use and Distribution of Road Bond Proceeds") "THE DISTRICT – Authority," "TAXING PROCEDURES," "THE REGIONAL DISTRICT FACILITIES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Regional District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP also serves as general counsel to the Regional District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No-Litigation Certificate

The Regional District will furnish the Initial Purchasers a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the Regional District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Initial Purchasers to take and pay for the Bonds, and of the Regional District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the Regional District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Regional District has covenanted in the Bond Resolutions that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolutions pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the Regional District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Regional District and such parties, which Bond Counsel has not independently verified. If the Regional District fails to comply with the covenants in the Bond Resolutions or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolutions upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Regional District as the taxpayer, and the Owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

Not Qualified Tax-Exempt Obligations

The Bonds will not be designated "qualified tax-exempt obligations" for financial institutions.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "– Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Initial Purchasers have purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the Regional District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolutions, the Regional District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Regional District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Regional District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The Regional District will provide certain updated financial information and operating data to the MSRB annually.

The information to be updated with respect to the Regional District includes all quantitative financial information and operating data of the general type included under "REGIONAL DISTRICT DEBT," (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," "APPENDIX A – Certain Financial Information Regarding the Participants," and "APPENDIX B – Financial Statements of the Participants." The Regional District will update and provide this information within six (6) months after the end of each of the fiscal years ending in or after 2026. The Regional District will provide the updated information to EMMA.

The Regional District will provide the updated information to the MSRB through its EMMA system. The Regional District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule"). The updated information will include audited financial statements if an audit is commissioned and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the Regional District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolutions, or such other accounting principles as the Regional District and the Participants may be required to employ from time to time pursuant to state law or regulation.

The Regional District's current fiscal year end is April 30. Accordingly, it must provide updated information by October 31 in each year, unless the Regional District changes its fiscal year. If the Regional District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The Regional District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of 10 business days after the occurrence of an event. The Regional District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Regional District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the Regional District or other obligated person or the sale of all or substantially all of the assets of the Regional District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the Regional District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Regional District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Regional District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligations" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolutions make any provision for debt service reserves or liquidity enhancement. In addition, the Regional District will provide timely notice of any failure by the Regional District to provide information, data, or financial statements in accordance with its agreement discussed under "Annual Reports."

Availability of Information from EMMA

The Regional District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The Regional District has agreed to update information and to provide notices of material events only as described above. The Regional District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results, operations, conditions, or prospects or to update any information that is provided, except as described above. The Regional District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Regional District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although registered owners and beneficial owners of the Bonds may seek a writ of mandamus to compel the Regional District to comply with its agreement.

The Regional District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Regional District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the Regional District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Regional District may amend or repeal the agreement in the Bond Resolutions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchasers from lawfully purchasing the Bonds in the initial offering. If the Regional District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports," an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the past five (5) years the Regional District has complied with its prior continuing disclosure agreements made in accordance with the Rule with the exception of the following occurrence: in connection with the issuance of the Regional District's Series 2024 Bond Anticipation Note, the Regional District failed to timely file a material event notice reflecting the incurrence of a financial obligation from December 19, 2024. Subsequently the Regional District has filed the material event notice as of February 26, 2025.

OFFICIAL STATEMENT

General

The information contained herein has been obtained primarily from the Regional District's records, the Regional District Engineer, the Developers, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The Regional District's financial statements and the financial statements for MUD 5 and MUD 37, were audited by McGrath & Co., PLLC and are attached hereto under "APPENDIX B – Financial Statements of the Participants." McGrath & Co., PLLC has consented to the publication of such financial statements herein. The financial statements of MUD 569 and MUD 35 as of May 31, 2025, and for the period from inception (June 10, 2019) to May 31, 2025, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX B – Financial Statements of the Participants."

Experts

The information contained in the Official Statement relating to engineering and to the description of Regional District Facilities, and, in particular, that engineering information included under "THE REGIONAL DISTRICT – Status of Development Within the Service Area" and "THE REGIONAL DISTRICT FACILITIES," has been provided by the Regional District Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained herein relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations included under "TAX DATA" and "REGIONAL DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The Regional District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the Regional District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the Regional District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the Regional District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of this Official Statement, the Regional District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchasers, of any adverse event which causes this Official Statement to be materially misleading, and unless the Initial Purchasers elect to terminate its obligation to purchase the Bonds, the Regional District will promptly prepare and supply to the Initial Purchasers an appropriate amendment or supplement to this Official Statement satisfactory to the Initial Purchasers;

provided, however, that the obligation of the Regional District to so amend or supplement this Official Statement will terminate when the Regional District delivers the Bonds to the Initial Purchasers, unless the Initial Purchasers notify the Regional District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the Regional District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the Regional District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the Regional District's records, audited financial statements, and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained herein are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Harris-Waller Counties Municipal Utility District No. 4 as of the date shown on the cover page hereof.

/s/ ______________________________
Rhonda Gideon
President, Board of Directors
Harris-Waller Counties Municipal Utility District No. 4

ATTEST:

/s/ ______________________________
Ruth Delaunay
Secretary, Board of Directors
Harris-Waller Counties Municipal Utility District No. 4

APPENDIX A

Certain Financial Information Regarding the Participants

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 4

(IN ITS CAPACITY AS A PARTICIPANT)

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	$	27,610,000
Voter Authorized Unlimited Tax Road Bonds	$	28,545,000
Voter Authorized Unlimited Tax Park Bonds	$	23,285,000
Total Principal Amount of Unlimited Tax Bonds Issued	$	0
Debt Service Tax Limitation (per $100 of Assessed Valuation)		Unlimited
Maintenance and Operations Tax Limitation (per $100 of Assessed Valuation)		$ 1.500
Maintenance and Operations Tax for Road Facilities Limitation (per $100 of Assessed Valuation)		$ 0.250
Contract Tax Limitation		Unlimited
Gross Outstanding Direct Debt	$	0
2025 Gross Certified Assessed Valuation	$	4,750,314
2026 Gross Preliminary Taxable Assessed Valuation	$	6,778,553
Estimated Gross Assessed Valuation as of April 1, 2026	$	6,778,553
Gross Assessed Valuation as a Percentage of the:		
2025 Gross Certified Assessed Valuation of the Participants		0.30 %
2026 Gross Preliminary Taxable Assessed Valuation of the Participants		0.36 %
Estimated Gross Assessed Valuation as of April 1, 2026		0.34 %
Estimated Average Annual Debt Service Requirement (2026–2052):	$	9,454,649
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	28,808
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	33,632
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of April 1, 2026	$	32,012
Estimated Maximum Annual Debt Service Requirement (2048):	$	10,573,013
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	32,216
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	37,610
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of April 1, 2026	$	35,799
Tax Rate Required to Pay Pro Rata Share Based Upon 2025 Certified Gross Assessed Valuation at 95% Tax Collections		
Estimated Average Annual Debt Service Requirement		$ 0.64
Estimated Maximum Annual Debt Service Requirement		$ 0.72
Tax Rate Required to Pay Pro Rata Share Based Upon 2026 Gross Preliminary Taxable Assessed Valuation, at 95% Tax Collections		
Estimated Average Annual Debt Service Requirement		$ 0.53
Estimated Maximum Annual Debt Service Requirement		$ 0.59
Tax Rate Required to Pay Pro Rata Share Based Upon Estimated Gross Assessed Valuation as of April 1, 2026, at 95% Tax Collections		
Estimated Average Annual Debt Service Requirement		$ 0.50
Estimated Maximum Annual Debt Service Requirement		$ 0.56
Status of Development as of March 26, 2026 (a):		
Approximate Total Developed Acreage		140 (a)
Single-Family Homes		0
Total Developed Lots		0

(a) No lands in MUD 4 have or will be developed for single-family residential properties. Lands in MUD 4 are primarily dedicated to major thoroughfares, detention ponds, and commercial parcels. All commercial parcels have been developed in that utilities have been constructed to service the parcels, however no commercial improvements have been constructed to date.

Principal Taxpayers

The following represents the principal taxpayers on MUD 4's 2025 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Gross Certified Assessed Valuation 2025 Tax Roll
Haizayah Properties Sunterra LLC	Land	$ 2,209,040
KA Great Minds West LLC	Land	1,202,610
Vic at Sunterra LLC	Land	603,460
Astro Sunterra LP	Land	357,720
Sunterra Market LLC	Land	326,450
The Dental Retreat at Sunterra	Land	33,500
Hilcorp Energy Co	Land	5,469
Harris Waller Counties MUD	Land	5,315
Homeowner	Land	1,350
Homeowner	Land	1,350
Total		$ 4,746,264
Percent of Tax Roll (a)		99.91%

(a) Based on MUD 4's total taxable assessed valuation as of January 1, 2025.

Historical Tax Collections

The following represents the historical tax collections for MUD 4.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 5/31/2026
2023	$2,447,957	$1.50	$36,719	99.99%	2024	100.00%
2024	2,446,879	$1.50	36,703	100.00%	2025	100.00%
2025	4,750,314	$1.50	71,255	100.00%	2026	100.00%

(a) Total tax rate per $100 of assessed valuation for each respective tax year.

Tax Rate Distribution

The following represents the components of the tax rate for MUD 4 for the 2022–2025 tax year.

	2025	2024	2023	2022
Debt Service	$0.0000	$0.0000	$0.0000	$0.0000
Contract Tax	$0.4600	$0.5700	$0.3600	$0.0000
Maintenance and Operations	$1.0400	$0.9300	$1.1400	$1.5000
	$1.5000	$1.5000	$1.5000	$1.5000

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 5

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	$	134,830,000	
Voter Authorized Unlimited Tax Road Bonds	$	127,245,000	
Voter Authorized Unlimited Tax Park Bonds	$	49,780,000	
Total Principal Amount of Unlimited Tax Bonds Issued	$	61,180,000	(a)
Debt Service Tax Limitation (per $100 of Assessed Valuation)		Unlimited	
Maintenance and Operations Tax Limitation (per $100 of Assessed Valuation)		$ 1.500	
Maintenance and Operations Tax for Road Facilities Limitation (per $100 of Assessed Valuation)		$ 0.250	
Contract Tax Limitation		Unlimited	
Gross Outstanding Direct Debt	$	60,290,000	(a)
2025 Gross Certified Assessed Valuation	$	588,716,620	
2026 Gross Preliminary Taxable Assessed Valuation	$	613,929,047	
Estimated Gross Assessed Valuation as of April 1, 2026	$	617,956,065	
Gross Assessed Valuation as a Percentage of the:			
2025 Gross Certified Assessed Valuation of the Participants		37.76	%
2026 Gross Preliminary Taxable Assessed Valuation of the Participants		32.22	%
Estimated Gross Assessed Valuation as of April 1, 2026		30.87	%
Estimated Average Annual Debt Service Requirement (2026–2052):	$	9,454,649	
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	3,570,283	
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	3,045,997	
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of April 1, 2026	$	2,918,320	
Estimated Maximum Annual Debt Service Requirement (2048):	$	10,573,013	
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	3,992,601	
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	3,406,300	
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of April 1, 2026	$	3,263,520	
Tax Rate Required to Pay Pro Rata Share Based Upon 2025 Certified Gross Assessed Valuation at 95% Tax Collections			
Estimated Average Annual Debt Service Requirement		$ 0.64	
Estimated Maximum Annual Debt Service Requirement		$ 0.72	
Tax Rate Required to Pay Pro Rata Share Based Upon 2026 Gross Preliminary Taxable Assessed Valuation at 95% Tax Collections			
Estimated Average Annual Debt Service Requirement		$ 0.53	
Estimated Maximum Annual Debt Service Requirement		$ 0.59	
Tax Rate Required to Pay Pro Rata Share Based Upon Estimated Gross Assessed Valuation as of April 1, 2026, at 95% Tax Collections			
Estimated Average Annual Debt Service Requirement		$ 0.50	
Estimated Maximum Annual Debt Service Requirement		$ 0.56	
<u>Status of Single-Family Development as of March 26, 2026:</u>			
Approximate Total Developed Acreage		456	
Single-Family Homes		1,772	(b)
Total Developed Lots		1,643	

(a) Includes MUD 5's $5,305,000 Unlimited Tax Park Bonds, Series 2026, which are expected to close on or about August 25, 2026.

(b) Includes approximately 1 home under construction as of March 26, 2026.

Principal Taxpayers

The following represents the principal taxpayers on MUD 5's 2025 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Gross Certified Assessed Valuation 2025 Tax Roll
Sunterra SFR Owner LLC	Land & Improvements	$ 56,159,170
Encore ONML Villas at Sun	Land & Improvements	30,678,771
Astro Sunterra LP	Land & Improvements	4,238,259
Homeowner	Land & Improvements	1,315,980
Excellence House Service	Land & Improvements	1,267,289
Homeowner	Land & Improvements	1,259,630
Pioneer Estates LLC	Land & Improvements	1,161,770
Homeowner	Land & Improvements	992,230
Homeowner	Land & Improvements	988,096
Homeowner	Land & Improvements	980,670
Total		$ 99,041,8651
Percent of Tax Roll (a)		16.82 %

(a) Based on MUD 5's total taxable assessed valuation as of January 1, 2025.

Historical Tax Collections

The following represents the historical tax collections for MUD 5.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 5/31/2026
2022	$ 64,246,222	$1.50	$ 963,693	100.00%	2023	100.00%
2023	356,846,659	$1.50	5,352,700	99.11	2024	99.98
2024	477,259,666	$1.50	7,158,895	100.00	2025	99.68
2025	588,716,620	$1.50	8,831,630	98.28	2026	98.28

(a) Total tax rate per $100 of assessed valuation for each respective tax year.

Tax Rate Distribution

The following represents the components of the tax rate for MUD 5 over the 2022–2025 tax years.

	2025	2024	2023	2022
Utility Debt Service	$0.390	$0.390	$0.285	$0.220
Road Debt Service	$0.250	$0.220	$0.000	$0.000
Contract Tax	$0.490	$0.555	$0.580	$0.410
Maintenance and Operations	$0.370	$0.335	$0.635	$0.870
Total	$1.500	$1.500	$1.500	$1.500

WALLER COUNTY MUNICIPAL UTILITY DISTRICT NO. 37

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	$	122,760,000	
Voter Authorized Unlimited Tax Road Bonds	$	117,145,000	
Voter Authorized Unlimited Tax Park Bonds	$	40,545,000	
Total Principal Amount of Unlimited Tax Bonds Issued	$	40,265,000	(a)
Debt Service Tax Limitation (per $100 of Assessed Valuation)		Unlimited	
Maintenance and Operations Tax Limitation (per $100 of Assessed Valuation)		$ 1.500	
Maintenance and Operations Tax for Road Facilities Limitation (per $100 of Assessed Valuation)		$ 0.250	
Contract Tax Limitation		Unlimited	
Gross Outstanding Direct Debt	$	40,055,000	(a)
2025 Gross Certified Assessed Valuation	$	377,314,313	
2026 Gross Preliminary Taxable Assessed Valuation	$	379,992,940	
Estimated Gross Assessed Valuation as of April 1, 2026	$	401,396,447	
Gross Assessed Valuation as a Percentage of the:			
2025 Gross Certified Assessed Valuation of the Participants		24.20	%
2026 Gross Preliminary Taxable Assessed Valuation of the Participants		19.94	%
Estimated Gross Assessed Valuation as of April 1, 2026, of the Participants		20.05	%
Estimated Average Annual Debt Service Requirement (2026–2052):	$	9,454,649	
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	2,288,229	
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	1,885,328	
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of April 1, 2026	$	1,895,610	
Estimated Maximum Annual Debt Service Requirement (2048):	$	10,573,013	
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	2,558,898	
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	2,108,338	
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of April 1, 2026	$	2,119,836	
Tax Rate Required to Pay Pro Rata Share Based Upon 2025 Certified Gross Assessed Valuation at 95% Tax Collections			
Estimated Average Annual Debt Service Requirement		$ 0.64	
Estimated Maximum Annual Debt Service Requirement		$ 0.72	
Tax Rate Required to Pay Pro Rata Share Based Upon 2026 Gross Preliminary Taxable Assessed Valuation at 95% Tax Collections			
Estimated Average Annual Debt Service Requirement		$ 0.53	
Estimated Maximum Annual Debt Service Requirement		$ 0.59	
Tax Rate Required to Pay Pro Rata Share Based Upon Estimated Gross Assessed Valuation as of April 1, 2026, at 95% Tax Collections			
Estimated Average Annual Debt Service Requirement		$ 0.50	
Estimated Maximum Annual Debt Service Requirement		$ 0.56	
Status of Single-Family Development as of March 26, 2026:			
Approximate Total Developed Acreage		363	
Single-Family Homes		1,136	(b)
Total Developed Lots		1,199	

(a) Includes the $5,785,000 Unlimited Tax Park Bonds, Series 2026, which are expected to close on or about August 18, 2026.

(b) Includes approximately 7 homes under construction as of March 26, 2026.

Principal Taxpayers

The following represents the principal taxpayers on MUD 37's 2025 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Gross Assessed Valuation 2025 Tax Roll
LGI Homes-Texas LLC	Land and Improvements	$ 2,144,960
Clayton Properties Group	Land and Improvements	1,667,250
Davidson Homes LLC	Land and Improvements	1,071,578
VPDHL Sunterra LB LLC	Land and Improvements	1,020,000
Emkay Inc	Land and Improvements	930,130
H & B Land Holdings LLC	Land and Improvements	910,000
Katy Home Investment LLC	Land and Improvements	851,060
HSB Construction Services	Land and Improvements	834,590
Sunland LLC	Land and Improvements	770,150
Homeowner	Land and Improvements	714,880
		$ 10,914,598
Percent of Tax Roll		2.89 %

Historical Tax Collections

The following represents the historical tax collections for MUD 37.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 5/31/2026
2022	$ 8,106,427	$1.50	$ 121,596	100.00%	2023	100.00%
2023	18,607,952	$1.50	279,119	99.47	2024	100.00
2024	271,224,332	$1.50	4,068,365	99.58	2025	99.73
2025	377,314,313	$1.50	5,661,524	98.71	2026	98.71

(a) Total tax rate per $100 of assessed valuation for each respective tax year.

Tax Rate Distribution

The following represents the components of the tax rate for MUD 37 over the 2022–2025 tax years.

	2025	2024	2023	2022
Road Debt Service	$0.240	$0.240	$ -	$ -
Utility Debt Service	0.270	0.270	0.005	-
Contract Tax	0.560	0.560	0.580	$0.000
Maintenance & Operation	0.430	0.430	0.870	$1.500
Total	$1.500	$1.500	$1.500	$1.500

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 569

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	$	241,500,000	
Voter Authorized Unlimited Tax Road Bonds	$	161,100,000	
Voter Authorized Unlimited Tax Park Bonds	$	64,600,000	
Total Principal Amount of Unlimited Tax Bonds Issued	$	52,790,000	(a)
Debt Service Tax Limitation (per $100 of Assessed Valuation)		Unlimited	
Maintenance and Operations Tax Limitation (per $100 of Assessed Valuation)		$ 1.500	
Contract Tax Limitation		Unlimited	
Gross Outstanding Direct Debt	$	52,715,000	(a)
2025 Gross Certified Assessed Valuation	$	356,572,660	
2026 Gross Preliminary Taxable Assessed Valuation	$	522,837,054	
Estimated Gross Assessed Valuation as of April 1, 2026	$	573,717,288	
Gross Assessed Valuation as a Percentage of the:			
2025 Gross Certified Assessed Valuation of the Participants		22.87	%
2026 Gross Preliminary Taxable Assessed Valuation of the Participants		27.44	%
Estimated Gross Assessed Valuation as of April 1, 2026, of the Participants		28.66	%
Estimated Average Annual Debt Service Requirement (2026–2052):	$	9,454,649	
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	2,162,441	
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	2,594,046	
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of April 1, 2026	$	2,709,401	
Estimated Maximum Annual Debt Service Requirement (2048):	$	10,573,013	
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	2,418,231	
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	2,900,889	
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of April 1, 2026	$	3,029,889	
Tax Rate Required to Pay Pro Rata Share Based Upon 2025 Certified Gross Assessed Valuation at 95% Tax Collections			
Estimated Average Annual Debt Service Requirement		$ 0.64	
Estimated Maximum Annual Debt Service Requirement		$ 0.72	
Tax Rate Required to Pay Pro Rata Share Based Upon 2026 Gross Preliminary Taxable Assessed Valuation at 95% Tax Collections			
Estimated Average Annual Debt Service Requirement		$ 0.53	
Estimated Maximum Annual Debt Service Requirement		$ 0.59	
Tax Rate Required to Pay Pro Rata Share Based Upon Estimated Gross Assessed Valuation as of April 1, 2026, at 95% Tax Collections			
Estimated Average Annual Debt Service Requirement		$ 0.50	
Estimated Maximum Annual Debt Service Requirement		$ 0.56	
Status of Single-Family Development as of March 26, 2026:			
Approximate Total Developed Acreage		193	
Single-Family Homes		1,542	(b)
Total Developed Lots		1,903	

(a) Includes MUD 569's $16,520,000 Unlimited Tax Bonds, Series 2026, and $2,140,000 Unlimited, Tax Road Bonds, Series 2026, which are expected to close on or about August 13, 2026.

(b) Includes approximately 19 homes under construction as of March 26, 2026.

Principal Taxpayers

The following represents the principal taxpayers on MUD 569's 2025 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Assessed Valuation 2025 Tax Roll	Percent of 2025 Roll
GBFR Sunterra LP	Land and Improvements	$ 17,781,202	4.99%
DR Horton Texas LTD	Land and Improvements	9,358,411	2.62%
Sunterra 6A-Katy LP	Land and Improvements	4,883,130	1.37%
AG ECH II Multi Stadium	Land and Improvements	4,826,591	1.35%
Westin Homes & Properties	Land and Improvements	4,681,651	1.31%
Millrose Properties Texas	Land and Improvements	4,200,440	1.18%
Astro Sunterra LP	Land and Improvements	4,086,438	1.15%
Nuway Homes Texas LP	Land and Improvements	3,563,145	1.00%
RK Sunterra LLC	Land and Improvements	3,033,676	0.85%
Chesmar Homes LLC	Land and Improvements	2,949,051	0.83%
Total		$ 59,363,735	16.65%

Historical Tax Collections

The following represents the historical tax collections for MUD 569.

Tax Year	Certified Taxable Value	Tax Rate (a)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 05/31/26
2022	$ 4,596,478	$1.500	$ 68,947	100.00%	2023	100.00%
2023	64,110,520	1.500	961,658	99.64%	2024	100.00%
2024	164,126,007	1.500	2,461,890	100.00%	2025	99.83%
2025	356,572,660	1.500	5,350,196	98.10%	2026	98.10%

(a) Total tax rate per $100 of assessed valuation for each respective tax year.

Tax Rate Distribution

The following represents the components of the tax rate for MUD 569 for the 2022–2025 tax years.

	2025	2024	2023	2022
Road System Debt Service	$0.380	$0.250	$0.000	$0.000
Utility System Debt Service	$0.260	$0.000	$0.000	$0.000
Contract Tax	$0.505	$0.530	$0.600	$0.000
Maintenance & Operation	$0.355	$0.720	$0.900	$1.500
Total	$1.500	$1.500	$1.500	$1.500

WALLER COUNTY MUNICIPAL UTILITY DISTRICT NO. 35

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	$	290,905,000	
Voter Authorized Unlimited Tax Road Bonds	$	131,600,000	
Voter Authorized Unlimited Tax Park Bonds	$	64,650,000	
Total Principal Amount of Unlimited Tax Bonds Issued	$	33,930,000	(a)
Debt Service Tax Limitation (per $100 of Assessed Valuation)		Unlimited	
Maintenance and Operations Tax Limitation (per $100 of Assessed Valuation)		$ 1.500	
Contract Tax Limitation		Unlimited	
Gross Outstanding Direct Debt	$	33,845,000	(a)
2025 Gross Certified Assessed Valuation	$	231,656,768	
2026 Gross Preliminary Taxable Assessed Valuation	$	382,072,448	
Estimated Gross Assessed Valuation as of April 1, 2026	$	402,179,026	
Gross Assessed Valuation as a Percentage of the:			
2025 Gross Certified Assessed Valuation of the Participants		14.86	%
2026 Gross Preliminary Taxable Assessed Valuation of the Participants		20.05	%
Estimated Gross Assessed Valuation as of April 1, 2026, of the Participants		20.09	%
Estimated Average Annual Debt Service Requirement (2026–2052):	$	9,454,649	
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	1,404,887	
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	1,895,645	
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of April 1, 2026	$	1,899,305	
Estimated Maximum Annual Debt Service Requirement (2048):	$	10,573,013	
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	1,571,067	
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	2,119,876	
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of April 1, 2026	$	2,123,969	
Tax Rate Required to Pay Pro Rata Share Based Upon 2025 Certified Gross Assessed Valuation at 95% Tax Collections			
Estimated Average Annual Debt Service Requirement		$ 0.64	
Estimated Maximum Annual Debt Service Requirement		$ 0.72	
Tax Rate Required to Pay Pro Rata Share Based Upon 2026 Gross Preliminary Taxable Assessed Valuation at 95% Tax Collections			
Estimated Average Annual Debt Service Requirement		$ 0.53	
Estimated Maximum Annual Debt Service Requirement		$ 0.59	
Tax Rate Required to Pay Pro Rata Share Based Upon Estimated Gross Assessed Valuation as of April 1, 2026, at 95% Tax Collections			
Estimated Average Annual Debt Service Requirement		$ 0.50	
Estimated Maximum Annual Debt Service Requirement		$ 0.56	
Status of Single-Family Development as of March 26, 2026:			
Approximate Total Developed Acreage		87	
Single-Family Homes		1,335	(b)
Total Developed Lots		2,037	

(a) Includes MUD 35's $13,550,000 Unlimited Tax Bonds, Series 2026, which are expected to close on or about August 13, 2026.

(b) Includes approximately 53 homes under construction as of March 26, 2026.

Principal Taxpayers

The following represents the principal taxpayers on MUD 35's 2025 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Assessed Valuation 2025 Tax Roll	Percent of 2025 Roll
DR Horton Texas LTD	Land & Improvements	$ 17,472,355	7.54%
Lennar Homes of Texas Land	Land	10,996,010	4.75%
Gehan Homes LTD	Land	6,175,000	2.67%
AG EHC II Multi Stadium	Land	3,470,135	1.50%
MH Sunterra Retail LLC	Land	2,325,000	0.96%
BSFR II Owner III LLC	Land & Improvements	1,090,200	0.47%
Astro Sunterra LP	Land	954,291	0.41%
Cire Lot Venture LP	Land	900,000	0.39%
H & B Land Holdings 3 LLC	Land	780,000	0.34%
NW Sweet Homes LLC	Land & Improvements	718,610	0.31%
Total		$ 44,881,601	19.34%

Historical Tax Collections

Tax Year	Certified Taxable Value	Tax Rate (a)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 05/31/26
2022	$12,010,068	$1.500	$180,151	100.00%	2023	100.00%
2023	36,707,773	1.500	550,617	99.83%	2024	100.00%
2024	115,311,535	1.500	1,729,673	97.94%	2025	99.83%
2025	231,656,768	1.500	3,475,045	98.10%	2026	98.10%

(a) Total tax rate per $100 of assessed valuation for each respective tax year.

Tax Rate Distribution

The following represents the components of the tax rate for MUD 35 for the 2022–2025 tax years.

	2025	2024	2023	2022
Road System Debt Service	$0.295	$0.280	$0.000	$0.000
Utility System Debt Service	$0.240	$0.000	$0.000	$0.000
Contract Tax	$0.480	$0.560	$0.890	$0.000
Maintenance & Operation	$0.485	$0.660	$0.610	$1.500
Total	$1.500	$1.500	$1.500	$1.500

APPENDIX B

Financial Statements of the Participants

HARRIS – WALLER COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 4

HARRIS AND WALLER COUNTIES, TEXAS

FINANCIAL REPORT

April 30, 2025

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McGRATH & CO., PLLC

Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris - Waller Counties Municipal Utility District No. 4
Harris and Waller Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris - Waller Counties Municipal Utility District No. 4 (the "District"), as of and for the year ended April 30, 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 Harris - Waller Counties Municipal Utility District No. 4, as of April 30, 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. 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the District restated beginning fund balances in the General Fund and Master District Debt Service Fund during the current fiscal year. Our opinion is 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

McGrath & Co, PLLC

Houston, Texas
August 21, 2025

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Harris - Waller Counties Municipal Utility District No. 4 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues*, *Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at April 30, 2025, was negative $53,909,976. This amount is negative primarily because the District incurs debt to construct public roads which it conveys to Waller County. A comparative summary of the District's overall financial position, as of April 30, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	$ 9,342,106	$ 6,399,869
Capital assets	96,708,598	76,067,024
Total assets	106,050,704	82,466,893
Current liabilities	12,132,733	10,524,224
Long-term liabilities	147,827,947	112,521,963
Total liabilities	159,960,680	123,046,187
Net position		
Net investment in capital assets	(15,660,566)	(10,207,540)
Restricted	7,486,465	4,533,862
Unrestricted	(45,735,875)	(34,905,616)
Total net position	$ (53,909,976)	$ (40,579,294)

The total net position of the District decreased during the current fiscal year by $13,330,682. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Property taxes, penalties and interest	$ 37,139	$ 37,534
Water and sewer service	12,786	11,593
Tap connection and inspection	67,681	
Participant billings	6,876,177	4,529,850
Contract taxes from participants	5,367,125	3,584,549
Other	269,299	253,783
Total revenues	12,630,207	8,417,309
Expenses		
Current service operations	6,556,060	4,541,394
Debt interest and fees	3,989,273	2,351,298
Developer interest	1,939,533	1,778,011
Debt issuance costs	2,594,294	2,569,827
Intergovernmental	32,916	38,807
Depreciation and amortization	1,229,087	962,239
Total expenses	16,341,163	12,241,576
Change in net position before other item	(3,710,956)	(3,824,267)
Other item		
Transfers to other governments	(9,619,726)	(14,173,896)
Change in net position	(13,330,682)	(17,998,163)
Net position, beginning of year	(40,579,294)	(22,581,131)
Net position, end of year	$ (53,909,976)	$ (40,579,294)

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2025, were $8,191,903, which consists of negative $230,248 in the General Fund, $7,486,465 in the Master District Debt Service Fund, $14,084 in the Master District Capital Projects Fund and $921,602 in the Master District Operating Fund.

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 84,559	$ 135,666
Total liabilities	$ 314,798	$ 306,657
Total deferred inflows	9	10
Total fund balance (2025 restated)	(230,248)	(171,001)
Total liabilities, deferred inflows and fund balance	$ 84,559	$ 135,666

During the current year, the District concluded that the activities of the tax assessor-collector are more appropriately reported within the General Fund, since these costs are paid from the District's maintenance and operations tax levy. This change resulted in a restatement of beginning fund balance and a decrease to total assets in the General Fund. See Note 3 for additional information.

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

	2025	2024
Total revenues	$ 124,343	$ 147,126
Total expenditures	(173,987)	(80,872)
Revenues over/(under) expenditures	$ (49,644)	$ 66,254

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased due to a decrease in property value exemptions from the prior year.
- Tap connection fees fluctuate with homebuilding activity within the District.

Master District Debt Service Fund

A comparative summary of the Master District Debt Service Fund's financial position as of April 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 7,486,465	$ 4,533,862
Total fund balance (2025 restated)	$ 7,486,465	$ 4,533,862

As previously noted, the District restated beginning fund balance in the Master District Debt Service Fund. This resulted in an increase in total assets and fund balance. See Note 3 for additional information.

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

	2025	2024
Total revenues	$ 5,582,999	$ 3,710,406
Total expenditures	(4,038,468)	(2,081,618)
Revenues over expenditures	1,544,531	1,628,788
Other changes in fund balance	1,398,469	1,532,781
Net change in fund balance	$ 2,943,000	$ 3,161,569

The District's financial resources in the Master District Debt Service Fund in both the current and prior fiscal year are from property tax revenues, contract tax revenues and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Master District Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Master District Capital Projects Fund

A comparative summary of the Master District Capital Projects Fund's financial position as of April 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 18,111	$ 812,695
Total liabilities	$ 4,027	$ -
Total fund balance	14,084	812,695
Total liabilities and fund balance	$ 18,111	$ 812,695

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

	2025	2024
Total revenues	$ 11,409	$ 28,052
Total expenditures	(32,346,551)	(31,122,873)
Revenues under expenditures	(32,335,142)	(31,094,821)
Other changes in fund balance	31,536,531	31,617,219
Net change in fund balance	$ (798,611)	$ 522,398

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2024 Contract Revenue Bonds, Series 2024 Contract Revenue Road Bonds and Series 2024 Bond Anticipation Note in the current fiscal year and proceeds from the issuance of its Series 2023 Contract Revenue Bonds, Series 2023 Contract Revenue Road Bonds and Series 2023 Bond Anticipation Note in the prior year.

Master District Operating Fund

The Master District Operating Fund is used to account for the operations of the Master District. A comparative summary of the Master District Operating Fund's financial position as of April 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 1,752,971	$ 917,646
Total liabilities	$ 831,369	$ 645,261
Total fund balance	921,602	272,385
Total liabilities and fund balance	$ 1,752,971	$ 917,646

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

	2025	2024
Total revenues	$ 6,911,456	$ 4,532,830
Total expenditures	(6,262,239)	(4,634,684)
Revenues over/(under) expenditures	$ 649,217	$ (101,854)

Revenues in the Master District Operating Fund primarily consist of charges to participants. The amount the District (in its Master District capacity) charges is based upon the actual cost of providing services. See Note 13 for additional information.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $39,302 less than budgeted. The *Budgetary Comparison Schedule* on page 42 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at April 30, 2025 and 2024, are summarized as follows:

	2025	2024
Capital assets not being depreciated		
Land and improvements	$ 47,449,311	$ 38,416,310
Construction in progress		213,022
	47,449,311	38,629,332
Capital assets being depreciated/amortized		
Infrastructure	42,058,356	31,913,375
Landscaping improvements	5,622,041	3,546,640
Water and wastewater capacity	4,577,800	3,747,500
	52,258,197	39,207,515
Less accumulated depreciation/amortization		
Infrastructure	(2,253,506)	(1,344,607)
Landscaping improvements	(523,688)	(300,236)
Water and wastewater capacity	(221,716)	(124,980)
	(2,998,910)	(1,769,823)
Depreciable capital assets, net	49,259,287	37,437,692
Capital assets, net	$ 96,708,598	$ 76,067,024

Capital asset additions during the current fiscal year include the following:

- Sunterra Lift Station No. 1
- Sunterra Lift Station No. 4
- Sunterra Phase 4 detention and mass grading
- Sunterra Phase 5 detention and mass grading

- Tantara Bend Drive Street Dedication – utilities
- Water Plant No. 3 fencing
- Bartlett Road Street Dedication Sections 4 and 5 – utilities
- Stockdick Road corridor landscaping improvements
- Sunterra handicap ramps
- Smart meters

Additionally, Waller County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of Waller County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended April 30, 2025, capital assets in the amount of $9,619,726 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 12.

Long-Term Debt and Related Liabilities

As of April 30, 2025, the District owes approximately $64,022,947 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 9, the District has an additional commitment in the amount of $20,673,474 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developer is reimbursed.

At April 30, 2025 and 2024, the District in its capacity as a Master District, had total bonded debt outstanding as shown below:

Series	2025	2024
2022	$ 12,225,000	$ 12,480,000
2022 Road	10,190,000	10,400,000
2023	14,250,000	14,250,000
2023 Road	16,085,000	16,085,000
2024	15,770,000	
2024 Road	16,395,000	
	$ 84,915,000	$ 53,215,000

During the current fiscal year, the District, in its capacity as a Master District, issued $15,770,000 in contract revenue bonds and $16,395,000 in contract revenue road bonds. At April 30, 2025, the District, in its capacity as a Master District, had $567,727,000 contract revenue bonds authorized, but unissued for the purposes of regional water, sanitary sewer and drainage facilities and $156,781,000 authorized, but unissued for road improvements.

At April 30, 2025, the District, in its capacity as a participating district, had $27,610,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $8,284,000 for the refunding of such bonds; $23,285,000 authorized, but unissued for parks and recreational facilities and $6,986,000 for the refunding of such bonds; and $28,545,000 authorized, but unissued for road improvements and $8,564,000 for refunding of such bonds.

During the current fiscal year, the District, in its capacity as a Master District, issued a $9,680,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 8 for additional information.

Property Taxes

The District's property tax base increased approximately $237,000 for the 2025 tax year from $2,446,879 to $2,684,259, based on preliminary and certified values. This increase was primarily due to new construction in the District.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2025 Actual	2026 Budget
Total revenues	$ 124,343	$ 54,690
Total expenditures	(173,987)	(70,850)
Revenues under expenditures	(49,644)	(16,160)
Beginning fund balance (2025 restated)	(180,604)	(230,248)
Ending fund balance	$ (230,248)	$ (246,408)

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Basic Financial Statements

Harris - Waller Counties Municipal Utility District No. 4
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2025

	General Fund	Master District Debt Service Fund	Master District Capital Projects Fund	Master District Operating Fund
Assets				
Cash	$ 67,660	$ -	$ 40,985	$ 217,010
Investments	16,884	4,861,844	55,704	2,082
Taxes receivable	9			
Customer service receivables	2,111			
Internal balances	(2,105)		(78,578)	80,683
Due from participants		2,624,621		1,453,196
Capital assets not being depreciated				
Capital assets, net				
Total Assets	$ 84,559	$ 7,486,465	$ 18,111	$ 1,752,971
Liabilities				
Accounts payable	$ 290,313	$ -	$ 4,027	$ 831,369
Other payables	35			
Customer deposits	24,450			
Accrued interest payable				
Bond anticipation note payable				
Due to developers				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	314,798		4,027	831,369
Deferred Inflows of Resources				
Deferred property taxes	9			
Fund Balances/Net Position				
Fund Balances				
Restricted		7,486,465	14,084	
Committed				921,602
Unassigned	(230,248)			
Total Fund Balances	(230,248)	7,486,465	14,084	921,602
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 84,559	$ 7,486,465	$ 18,111	$ 1,752,971
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

Total	Adjustments	Statement of Net Position
$ 325,655	$ -	$ 325,655
4,936,514		4,936,514
9		9
2,111		2,111
4,077,817		4,077,817
	47,449,311	47,449,311
	49,259,287	49,259,287
$ 9,342,106	96,708,598	106,050,704
$ 1,125,709		1,125,709
35		35
24,450		24,450
	192,539	192,539
	9,680,000	9,680,000
	64,022,947	64,022,947
	1,110,000	1,110,000
	83,805,000	83,805,000
1,150,194	158,810,486	159,960,680
9	(9)	
7,500,549	(7,500,549)	
921,602	(921,602)	
(230,248)	230,248	
8,191,903	(8,191,903)	
$ 9,342,106		
	(15,660,566)	(15,660,566)
	7,486,465	7,486,465
	(45,735,875)	(45,735,875)
	$ (53,909,976)	$ (53,909,976)

Harris - Waller Counties Municipal Utility District No. 4
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2025

	General Fund	Master District Debt Service Fund	Master District Capital Projects Fund	Master District Operating Fund
Revenues				
Water service	$ 11,852	$ -	$ -	$ -
Sewer service	934			
Property taxes	36,704			
Penalties and interest	435			
Tap connection and inspection	67,681			
Participant billings				6,876,177
Contract taxes from participants		5,367,125		
Miscellaneous	5,906			34,000
Investment earnings	831	215,874	11,409	1,279
Total Revenues	124,343	5,582,999	11,409	6,911,456
Expenditures/Expenses				
Current service operations				
Purchased services				4,417,044
Professional fees	35,226		158,407	301,785
Contracted services	27,131			40,775
Repairs and maintenance	123		81,741	1,171,942
Utilities				5,863
Regional water authority fees				258,757
Administrative	9,325			34,815
Other	70		885	12,171
Capital outlay	69,196		27,151,120	19,087
Debt service				
Principal		465,000		
Interest and fees		3,573,468	420,571	
Developer interest			1,939,533	
Debt issuance costs			2,594,294	
Intergovernmental				
Master District connection fees	19,354			
Contractual obligations	13,562			
Depreciation and amortization				
Total Expenditures/Expenses	173,987	4,038,468	32,346,551	6,262,239
Revenues Over (Under) Expenditures/Expenses	(49,644)	1,544,531	(32,335,142)	649,217
Other Financing Sources/(Uses)				
Proceeds from sale of bonds		1,398,469	30,766,531	
Proceeds from sale of bond anticipation note			9,680,000	
Repayment of bond anticipation note			(8,910,000)	
Other Items				
Transfers to other governments				
Net Change in Fund Balances	(49,644)	2,943,000	(798,611)	649,217
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year, as reported	(171,001)	4,533,862	812,695	272,385
Change in reporting entity (See Note 3)	(9,603)	9,603		
Beginning of the year, as restated	(180,604)	4,543,465	812,695	272,385
End of the year	$ (230,248)	$ 7,486,465	$ 14,084	$ 921,602

See notes to basic financial statements.

Total	Adjustments	Statement of Activities
$ 11,852	$ -	$ 11,852
934		934
36,704		36,704
435		435
67,681		67,681
6,876,177		6,876,177
5,367,125		5,367,125
39,906		39,906
229,393		229,393
12,630,207		12,630,207
4,417,044		4,417,044
495,418		495,418
67,906		67,906
1,253,806		1,253,806
5,863		5,863
258,757		258,757
44,140		44,140
13,126		13,126
27,239,403	(27,239,403)	
465,000	(465,000)	
3,994,039	(4,766)	3,989,273
1,939,533		1,939,533
2,594,294		2,594,294
19,354		19,354
13,562		13,562
	1,229,087	1,229,087
42,821,245	(26,480,082)	16,341,163
(30,191,038)	26,480,082	(3,710,956)
32,165,000	(32,165,000)	
9,680,000	(9,680,000)	
(8,910,000)	8,910,000	
	(9,619,726)	(9,619,726)
2,743,962	(2,743,962)	
	(13,330,682)	(13,330,682)
5,447,941	(46,027,235)	(40,579,294)
5,447,941	(46,027,235)	(40,579,294)
$ 8,191,903	$ (62,101,879)	$ (53,909,976)

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris - Waller Counties Municipal Utility District No. 4 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created, and established pursuant to House Bill No. 4520, 86th Session of the Texas Legislature, Regular Session, codified as Chapter 8047, Texas Special District Local Law Code (the "Act"), effective May 3, 2019, and operates in accordance with Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution, and the Texas Water Code, Chapter 49 and 54. On July 30, 2020, voters of the District approved a proposition dividing the District into three districts: the District, Harris – Waller Counties Municipal Utility District No. 5 ("MUD 5") and Waller County Municipal Utility District No. 37 ("MUD 37"). The Board of Directors held its first meeting on July 30, 2020, and the first Master District contract revenue bonds were issued on December 20, 2022.

The District's primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has four governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and tap connection fees. Expenditures include costs associated with the daily operations of the District and costs incurred in assessing and collecting taxes.
- The Master District Debt Service Fund is used to account for the payment of interest and principal on the contract revenue bonds. The primary source of revenue for debt service are contract tax payments from participating districts in the Master District service area and capitalized interest from the sale of bonds.
- The Master District Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the Master District's regional facilities.
- The Master District Operating Fund is used to account for the operation and maintenance of the regional facilities. The principal source of revenue is from Master District service fees received from participating districts. Expenditures include costs associated with the daily operations of the regional facilities. See Note 13.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At April 30, 2025, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	10-45 years
Landscaping improvements	20 years
Water and wastewater capacity	Remaining life of contract

The District's detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Master District Capital Projects Fund and capitalized interest from the sale of bonds and contract taxes from participants in the Master District Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District's committed fund balances in the Master District Operating Fund consist of amounts restricted for the operation of the regional facilities as discussed in Note 13.

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

Unassigned - resources not included in the other components.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to Waller County and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		$ 8,191,903
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 99,707,508	
Less accumulated depreciation/amortization	(2,998,910)	
		96,708,598
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(192,539)	
Bond anticipation note payable	(9,680,000)	
Due to developers	(64,022,947)	
Bonds payable	(84,915,000)	
		(158,810,486)
Deferred inflows in the fund statements consist of property tax receivables that are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		9
Total net position - governmental activities		$ (53,909,976)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds		$ 2,743,962
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	$ 27,239,403	
Transfers to other governments	(9,619,726)	
Depreciation/amortization expense	(1,229,087)	
		16,390,590
Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Issuance of long-term debt	(32,165,000)	
Proceeds from bond anticipation note	(9,680,000)	
Repayment of bond anticipation note	8,910,000	
Principal payments	465,000	
Interest payable on bonds	4,766	
		(32,465,234)
Change in net position of governmental activities		$ (13,330,682)

Note 3 – Change in Reporting Entity

During the current fiscal year, the District concluded that the activities of the tax assessor-collector are more appropriately reported within the General Fund rather than the Debt Service Fund, as these costs are financed through the District's maintenance and operations tax levy. Pursuant to GASB Statement No. 100, *Accounting Changes and Error Corrections*, the District restated beginning fund balances to reflect the reclassification of the deficit fund balance in the Tax Fund, resulting in a decrease of $9,603 in the General Fund and a corresponding increase in the Master District Debt Service Fund. This reclassification had no effect on the District's beginning net position. Prior year amounts presented in the Management's Discussion and Analysis were not restated, in accordance with GASB 100.

Note 4 – Implementation of New Accounting Guidance

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District's acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government-wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position*.

Note 5 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of April 30, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	$ 16,884		
	Master District Debt Service	4,861,844		
	Master District Capital Projects	55,704		
	Master District Operating	2,082		
Total		$ 4,936,514	AAAm	40 days

TexSTAR

The Texas Short Term Asset Reserve fund ("TexSTAR") is managed by Hilltop Securities, and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 6 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2025, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
Master District Operating	General	$ 2,105	Participant billings not remitted as of fiscal
Master District Operating	Master District Capital Projects	78,578	Bond application fees paid by the Master District Operating Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Note 7 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2025, is as follows:

	Beginning Balances	Increases/ Decreases	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 38,416,310	$ 9,033,001	$ 47,449,311
Construction in progress	213,022	(213,022)	
	38,629,332	8,819,979	47,449,311
Capital assets being depreciated/amortized			
Infrastructure	31,913,375	10,144,981	42,058,356
Landscaping improvements	3,546,640	2,075,401	5,622,041
Water and wastewater capacity	3,747,500	830,300	4,577,800
	39,207,515	13,050,682	52,258,197
Less accumulated depreciation/amortization			
Infrastructure	(1,344,607)	(908,899)	(2,253,506)
Landscaping improvements	(300,236)	(223,452)	(523,688)
Water and wastewater capacity	(124,980)	(96,736)	(221,716)
	(1,769,823)	(1,229,087)	(2,998,910)
Subtotal depreciable capital assets, net	37,437,692	11,821,595	49,259,287
Capital assets, net	$ 76,067,024	$ 20,641,574	$ 96,708,598

Depreciation/amortization expense for the current fiscal year was $1,229,087.

Note 8 – Bond Anticipation Note

The District uses a bond anticipation note ("BAN") to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of $8,910,000. This BAN was repaid on September 26, 2024, with proceeds from the issuance of the District's Series 2024 Contract Revenue Bonds.

On December 19, 2024, the District, in its capacity as a Master District, issued a $9,680,000 BAN with an interest rate of 5.50%, which is due on December 18, 2025.

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

Beginning balance	$ 8,910,000
Amounts borrowed	9,680,000
Amounts repaid	(8,910,000)
Ending balance	$ 9,680,000

Note 9 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will construct facilities on behalf of the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Changes in the estimated amounts due to developers during the fiscal year are as follows:

Due to developers, beginning of year	$ 59,771,963
Developer reimbursements	(26,141,931)
Developer funded construction and adjustments	30,392,915
Due to developers, end of year	$ 64,022,947

In addition, the District will owe the developers approximately $20,673,474, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Complete
Sunterra Recreation Center and Street Dedication - utilities	$ 1,479,000	94%
Sunterra Recreation Center and Street Dedication - paving	2,159,133	99%
Beckendorff Road Street Dedication Section 4 - drainage and paving	967,663	95%
Sunterra Lift Station No. 5	1,244,996	95%
Sunterra Lift Station No. 6	1,157,771	52%
Beckendorff Section 3 - utilities	1,134,728	97%
Beckendorff Section 3 - paving	2,721,470	99%
Clay Road Section 2 - drainage and paving	3,318,588	23%
Beckendorff Road Street Dedication Section 5 - utilities and paving	2,339,041	67%
Sunterra Sections 65 and 66 - utilities*	150,284	96%
Sunterra Sections 65 and 66 - paving*	128,635	96%
Beckendorff Road Street Dedication Section 6 - utilities and paving	1,595,061	68%
Sunterra Section 73 and Caymus Creek Drive Street Dedication - utilities*	128,598	92%
Stockdick Road Street Dedication Sections 6 and 7 - utilities and paving	2,148,506	87%
	$ 20,673,474	

*District's estimated share of contract

Note 10 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 84,915,000
Due within one year	$ 1,110,000

The District's bonds payable at April 30, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2022	$ 12,225,000	$ 12,480,000	5.00% - 5.50%	November 1, 2024/2048	November 1, May 1	November 1, 2029
2022 Road	10,190,000	10,400,000	5.00% - 5.50%	November 1, 2024/2048	November 1, May 1	November 1, 2029
2023	14,250,000	14,250,000	4.00% - 6.50%	November 1, 2025/2049	November 1, May 1	November 1, 2030
2023 Road	16,085,000	16,085,000	4.75% - 7.25%	November 1, 2025/2049	November 1, May 1	November 1, 2030
2024	15,770,000	15,770,000	4.00% - 6.50%	November 1, 2026/2050	November 1, May 1	November 1, 2030
2024 Road	16,395,000	16,395,000	4.00% - 6.50%	November 1, 2026/2050	November 1, May 1	November 1, 2030
	$ 84,915,000					

Payments of principal and interest on all series of contract revenue bonds are to be provided from the participating districts, including the District in its capacity as a participating district, based on their pro rata share of the total certified assessed valuation of all participating districts. The participating districts are contractually required to levy a contract tax in an amount sufficient to meet their required contributions. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the term of its bond resolution.

At April 30, 2025, the District, in its capacity as a Master District, had contract revenue bonds of $567,727,000 authorized, but unissued for the purpose of regional water, sanitary sewer and drainage facilities and $156,781,000 for road improvements.

As of April 30, 2025, the District in its capacity as a participating district, had $27,610,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District and $8,284,000 for the refunding of such bonds; $23,285,000 for parks and recreational facilities and $6,986,000 for the refunding of such bonds; and $28,545,000 for road improvements and $8,564,000 for the refunding of such bonds.

On September 26, 2024, the District, in its capacity as a Master District, issued its $15,770,000 Series 2024 Contract Revenue Bonds at a net effective interest rate of 4.324306%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a $8,910,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

On September 26, 2024, the District, in its capacity as a Master District, issued its $16,395,000 Series 2024 Contract Revenue Road Bonds at a net effective interest rate of 4.323547%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	$ 53,215,000
Bonds issued	32,165,000
Bonds retired	(465,000)
Bonds payable, end of year	$ 84,915,000

The debt service payment due May 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of April 30, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	$ 1,110,000	$ 4,086,331	$ 5,196,331
2027	1,865,000	3,992,225	5,857,225
2028	1,965,000	3,870,475	5,835,475
2029	2,060,000	3,742,513	5,802,513
2030	2,160,000	3,608,339	5,768,339
2031	2,270,000	3,469,063	5,739,063
2032	2,385,000	3,334,462	5,719,462
2033	2,505,000	3,204,025	5,709,025
2034	2,635,000	3,073,175	5,708,175
2035	2,760,000	2,947,151	5,707,151
2036	2,900,000	2,820,801	5,720,801
2037	3,045,000	2,688,757	5,733,757
2038	3,200,000	2,550,713	5,750,713
2039	3,355,000	2,405,776	5,760,776
2040	3,530,000	2,251,413	5,781,413
2041	3,710,000	2,086,944	5,796,944
2042	3,890,000	1,914,275	5,804,275
2043	4,090,000	1,731,463	5,821,463
2044	4,295,000	1,537,813	5,832,813
2045	4,515,000	1,333,809	5,848,809
2046	4,740,000	1,117,912	5,857,912
2047	4,985,000	889,918	5,874,918
2048	5,225,000	649,926	5,874,926
2049	5,490,000	397,452	5,887,452
2050	4,105,000	177,873	4,282,873
2051	2,125,000	43,828	2,168,828
	$ 84,915,000	$ 59,926,432	$ 144,841,432

Note 11 – Property Taxes

On November 3, 2020, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. In addition, the voters of the District authorized the District's Board of Directors to levy taxes annually for road maintenance limited to $0.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Harris Central and Waller County Appraisal Districts. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of $1.50 per $100 of assessed value, of which $0.93 was allocated to maintenance and operations and $0.57 was allocated to contract tax debt service. The resulting tax levy was $36,703 on the adjusted taxable value of $2,446,879.

Total property taxes receivable, at April 30, 2025, consisted of the following:

Current year taxes receivable	$ -
Prior years taxes receivable	9
Total property taxes receivable	$ 9

Note 12 – Transfers to Other Governments

Waller County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Waller County, not the District. The estimated cost of each road project is recorded as a transfers to other government upon completion of construction. This cost is trued-up when the developers are subsequently reimbursed. For the year ended April 30, 2025, the District recorded transfers to other governments in the amount of $9,619,726 for road facilities constructed by a developer within the District.

Note 13 – Master District

The District, in its capacity as a Master District, has entered into contracts (the "Contracts") with the District in its capacity as a participating district, MUD 5, MUD 37, Harris County Municipal Utility District No. 569 ("MUD 569") and Waller County Municipal Utility District No. 35 ("MUD 35") whereby the Master District agrees to provide or cause to be provided the regional water supply and distribution facilities, wastewater collection, treatment and disposal facilities, detention/drainage facilities, and road facilities to serve all districts located within the Master District's service area. Pursuant to the Contracts with each of the participating districts, and pursuant to the Contract between the District (in its capacity as a participating district) and the District (in its capacity as a Master District), the District, in addition to its role as a Master District, has the same rights and duties as the other participating districts. The term of the Contracts is 40 years.

The Master District has entered into a Wholesale Agreement for Water and Wastewater Service with Quadvest, under which Quadvest will provide wholesale water and wastewater supply to land within the Master District's service area. See Note 14 for additional information.

Operating Reserve

The Contracts authorize the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the participating districts to provide the initial funding required to establish the reserve. As of April 30, 2025, the District has established an operating and maintenance reserve of $312,219. The Master District shall adjust the reserve as needed, not less than annually.

Monthly Connection Fees for Operating Expenses

Upon commencement of services, the Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections ("ESFCs") reserved to the District. As of April 30, 2025, the Master District billed $6,876,177 to the participating districts for the operation and maintenance of the regional facilities.

Master District Debt

As of April 30, 2025, the District, in its Master District capacity, is authorized to issue $567,727,000 in contract revenue bonds for the purpose of acquiring and constructing water, sewer, and drainage facilities needed to provide services to all participating districts in the service are and $156,781,000 for road facilities. The participating districts, including the District in its capacity as a participating district, shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. During the current fiscal year, the Master District issued its $15,770,000 Series 2024 Contract Revenue Bonds and $16,395,000 Series 2024 Contract Revenue Road Bonds. As of April 30, 2025, the District, in its Master District capacity has $84,915,000 in contract revenue bonds outstanding. For the year ended April 30, 2025, participating districts were billed contract taxes in the amount of $5,367,125, of which $2,624,621 is due as of fiscal year end.

Summary of Charges

For the fiscal year ended April 30, 2025, the District, in its capacity as a participating district, incurred the following costs pursuant to the Contract with the Master District:

- Monthly connection fees for operating expenses in the amount of $19,354.
- Contractual obligations for Master District debt service requirements in the amount of $13,562.

Note 14 – Wholesale Agreement

On September 15, 2020, Katy 1039, Ltd. ("Katy 1039") and Quadvest, L.P. ("Quadvest") entered into a Wholesale Agreement for Water and Wastewater Service (the "Agreement") for the purchase of wholesale water and wastewater service necessary to serve 6,968 ESFCs within the Master District's service area. On May 10, 2021, Katy 1039, the District, and Quadvest entered into an Assignment and

First Amendment to the Agreement. On August 18, 2022, the District and Quadvest entered into a Second Amendment to the Agreement. On April 15, 2024, the District, Quadvest Wholesale, LLC (successor to Quadvest, L.P.), and Astro Sunterra, L.P. (successor to Katy 1039, Ltd.) entered into a Third Amendment to the Agreement (collectively, the "Amended Agreement").

The Third Amendment increased the reserved capacity to 8,968 water ESFCs and 7,968 wastewater ESFCs, with a provision for up to 8,237 wastewater ESFCs upon TCEQ re-rating approval. The purchase price for capacity remains $575 per ESFC for the initial 6,968 ESFCs, and increases to $700 per ESFC for all capacity purchased beyond that threshold.

Quadvest is responsible for the meter installation and the design and construction of the interconnect facilities necessary to connect the District to Quadvest's water system. The wholesale water service charge is $3.70 per 1,000 gallons of meter water flow. Quadvest is also responsible for the design and construction of the interconnect facilities necessary to connect the District to Quadvest's wastewater system. The wholesale sewer service charge is $55 per ESFC.

The purchased price of the reserved water and wastewater capacity shall be based on $575 per ESFC, representing one water ESFC and one wastewater ESFC per residential lot. As of April 30, 2025, the District has paid a total of $4,577,800 for reserved water and wastewater capacity in Quadvest's systems. The term of this Agreement is 50 years.

Note 15 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 16 – Concentration of Risk

Approximately 99% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are primary source of revenue for General Fund, the ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

Note 17 – Subsequent Events

On July 17, 2025, the District, in its capacity as a Master District, approved the sale of its $17,425,000 Series 2025 Contract Revenue Bonds at a net effective rate of 4.936681%. Proceeds from the bonds were used to reimburse the Master District's developers for infrastructure improvements in the District.

On July 17, 2025, the District, in its capacity as a Master District, approved the sale of its $16,135,000 Series 2025 Contract Revenue Road Bonds at a net effective rate of 4.939333%. Proceeds from the bonds were used to reimburse the Master District's developers for infrastructure improvements in the District.

Required Supplementary Information

Harris - Waller Counties Municipal Utility District No. 4
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ 30,000	$ 30,000	$ 11,852	$ (18,148)
Sewer service			934	934
Property taxes	27,500	22,000	36,704	14,704
Penalties and interest	500	500	435	(65)
Tap connection and inspection			67,681	67,681
Miscellaneous			5,906	5,906
Investment earnings			831	831
Total Revenues	58,000	52,500	124,343	71,843
Expenditures				
Current service operations				
Professional fees	30,000	30,000	35,226	(5,226)
Contracted services	10,000	10,000	27,131	(17,131)
Repairs and maintenance			123	(123)
Administrative	1,500	1,500	9,325	(7,825)
Other	1,800	1,800	70	1,730
Capital outlay	8,541	19,542	69,196	(49,654)
Intergovernmental				
Master District connection fees			19,354	(19,354)
Contractual obligations			13,562	(13,562)
Total Expenditures	51,841	62,842	173,987	(111,145)
Revenues Over (Under) Expenditures	6,159	(10,342)	(49,644)	(39,302)
Fund Balance				
Beginning of the year, as restated	(180,604)	(180,604)	(180,604)	
End of the year	$ (174,445)	$ (190,946)	$ (230,248)	$ (39,302)

Harris - Waller Counties Municipal Utility District No. 4
Required Supplementary Information - Budgetary Comparison Schedule -
Master District Operating Fund
For the Year Ended April 30, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Participant billings	$ 4,376,449	$ 6,332,387	$ 6,876,177	$ 543,790
Miscellaneous			34,000	34,000
Investment earnings	1,000	1,000	1,279	279
Total Revenues	4,377,449	6,333,387	6,911,456	578,069
Expenditures				
Current service operations				
Purchased services	3,076,222	4,246,500	4,417,044	(170,544)
Professional fees	299,000	299,000	301,785	(2,785)
Contracted services	46,500	51,500	40,775	10,725
Repairs and maintenance	150,000	200,000	1,171,942	(971,942)
Utilities	5,000	5,000	5,863	(863)
Regional water authority fees	261,738	261,738	258,757	2,981
Administrative	25,000	25,000	34,815	(9,815)
Other	15,000	15,000	12,171	2,829
Capital outlay	500,000	777,355	19,087	758,268
Total Expenditures	4,378,460	5,881,093	6,262,239	(381,146)
Revenues Over (Under) Expenditures	(1,011)	452,294	649,217	196,923
Fund Balance				
Beginning of the year	272,385	272,385	272,385	
End of the year	$ 271,374	$ 724,679	$ 921,602	$ 196,923

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund and Master District Operating Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The General Fund and Master District Operating Fund budgets were amended during the year to reflect changes in anticipated revenues and expenditures.

Texas Supplementary Information

1. Services provided by the District During the Fiscal Year:

[ ] Retail Water	[ ] Wholesale Water	[ ] Solid Waste / Garbage	[X] Drainage
[ ] Retail Wastewater	[ ] Wholesale Wastewater	[ ] Flood Control	[ ] Irrigation
[ ] Parks / Recreation	[ ] Fire Protection	[ ] Roads	[ ] Security

[X] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

[ ] Other (Specify): ______

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	$ 57.00	10,000	N	$ 4.30	10,001 to no limit
Wastewater:	$ 47.50		Y		

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 57.00 Wastewater $ 47.50

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1	1	x 1.0	1
1"	3	3	x 2.5	8
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"	6	6	x 50.0	300
8"			x 80.0	
10"			x 115.0	
Total Water	10	10		309
Total Wastewater	3	3	x 1.0	3

See accompanying auditor's report.

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

Gallons pumped into system:	504,871,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	504,248,000	99.88%

4. Standby Fees (authorized only under TWC Section 49.231):

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

If yes, Date of the most recent commission Order: ____________

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

If yes, Date of the most recent commission Order: ____________

5. Location of District

Is the District located entirely within one county? Yes [ ] No [X]

County(ies) in which the District is located: Harris and Waller Counties

Is the District located within a city? Entirely [ ] Partly [ ] Not at all [X]

City(ies) in which the District is located: ____________

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely [X] Partly [ ] Not at all [ ]

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes [ ] No [X]

If Yes, by whom? ____________

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-2. General Fund Expenditures
For the Year Ended April 30, 2025

Professional fees	
Legal	$ 35,226
Contracted services	
Bookkeeping	10,675
Operator	340
Tap Connection and Inspection	4,713
Tax assessor collector	7,974
Appraisal District	3,429
	27,131
Repairs and maintenance	123
Administrative	
Directors fees	
Printing and office supplies	1,295
Insurance	837
Other	7,193
	9,325
Other	70
Capital Outlay	69,196
Intergovernmental	
Master District connection fees	19,354
Contractual obligations	13,562
	32,916
Total expenditures	$ 173,987

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-3. Investments
April 30, 2025

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	$ 14,868
TexSTAR	Variable	N/A	2,016
			16,884
Master District Debt Service			
TexSTAR	Variable	N/A	2,559,658
TexSTAR	Variable	N/A	2,302,186
			4,861,844
Master District Capital Projects			
TexSTAR	Variable	N/A	549
TexSTAR	Variable	N/A	55,155
			55,704
Master District Operating			
TexSTAR	Variable	N/A	2,082
Total - All Funds			$ 4,936,514

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-4. Taxes Levied and Receivable
April 30, 2025

	Maintenance Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	$ 10	$ -	$ 10
Adjustments to Prior Year Tax Levy	(1)		(1)
Adjusted Receivable	9	-	9
2024 Original Tax Levy	22,756	13,947	36,703
Total to be accounted for	22,765	13,947	36,712
Tax collections:			
Current year	22,756	13,947	36,703
Taxes Receivable, End of Year	$ 9	$ -	$ 9
Taxes Receivable, By Year			
2022	$ 9	$ -	$ 9

	2024	2023	2022
Property Valuations:			
Land	$ 3,147,108	$ 3,427,486	$ 5,826,770
Personal Property	13,682	130,684	195,814
Exemptions	(713,911)	(1,110,213)	(322,188)
Total Property Valuations	$ 2,446,879	$ 2,447,957	$ 5,700,396
Tax Rates per $100 Valuation:			
Maintenance tax rates	$ 0.93	$ 1.14	$ 1.50
Debt service tax rates	0.57	0.36	
Total Tax Rates per $100 Valuation	$ 1.50	$ 1.50	$ 1.50
Adjusted Tax Levy:	$ 36,703	$ 36,719	$ 85,506
Percentage of Taxes Collected to Taxes Levied **	100.00%	100.00%	99.99%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 3, 2020
** Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on November 3, 2020
** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2022 Contract Revenue Bonds--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2026	$ 265,000	$ 641,687	$ 906,687
2027	280,000	626,700	906,700
2028	295,000	610,887	905,887
2029	310,000	594,250	904,250
2030	325,000	576,788	901,788
2031	345,000	559,225	904,225
2032	360,000	541,600	901,600
2033	380,000	523,100	903,100
2034	400,000	503,600	903,600
2035	420,000	483,100	903,100
2036	445,000	461,475	906,475
2037	465,000	438,725	903,725
2038	490,000	414,850	904,850
2039	515,000	389,725	904,725
2040	545,000	362,544	907,544
2041	575,000	333,144	908,144
2042	600,000	302,300	902,300
2043	635,000	269,088	904,088
2044	670,000	233,200	903,200
2045	705,000	195,388	900,388
2046	740,000	155,650	895,650
2047	780,000	113,850	893,850
2048	820,000	69,850	889,850
2049	860,000	23,650	883,650
	$ 12,225,000	$ 9,424,376	$ 21,649,376

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2022 Contract Revenue Road Bonds--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2026	$ 220,000	$ 534,887	$ 754,887
2027	235,000	522,375	757,375
2028	245,000	509,175	754,175
2029	260,000	495,287	755,287
2030	270,000	480,712	750,712
2031	285,000	466,162	751,162
2032	300,000	451,537	751,537
2033	315,000	436,162	751,162
2034	335,000	419,912	754,912
2035	350,000	402,788	752,788
2036	370,000	384,788	754,788
2037	390,000	365,788	755,788
2038	410,000	345,788	755,788
2039	430,000	324,788	754,788
2040	455,000	302,094	757,094
2041	480,000	277,550	757,550
2042	500,000	251,825	751,825
2043	530,000	224,125	754,125
2044	555,000	194,288	749,288
2045	585,000	162,938	747,938
2046	615,000	129,938	744,938
2047	650,000	95,150	745,150
2048	685,000	58,438	743,438
2049	720,000	19,800	739,800
	$ 10,190,000	$ 7,856,295	$ 18,046,295

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2023 Contract Revenue Bonds--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2026	$ 310,000	$ 654,094	$ 964,094
2027	325,000	633,456	958,456
2028	340,000	611,844	951,844
2029	355,000	589,256	944,256
2030	370,000	565,694	935,694
2031	390,000	540,994	930,994
2032	410,000	514,994	924,994
2033	430,000	487,694	917,694
2034	450,000	459,094	909,094
2035	470,000	435,069	905,069
2036	490,000	415,869	905,869
2037	515,000	395,769	910,769
2038	540,000	374,669	914,669
2039	565,000	352,569	917,569
2040	590,000	329,469	919,469
2041	620,000	305,269	925,269
2042	650,000	279,869	929,869
2043	680,000	253,269	933,269
2044	710,000	225,469	935,469
2045	745,000	195,903	940,903
2046	780,000	164,450	944,450
2047	820,000	131,449	951,449
2048	855,000	96,368	951,368
2049	900,000	59,074	959,074
2050	940,000	19,974	959,974
	$ 14,250,000	$ 9,091,628	$ 23,341,628

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2023 Contract Revenue Road Bonds--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2026	$ 315,000	$ 857,194	$ 1,172,194
2027	330,000	833,813	1,163,813
2028	350,000	809,163	1,159,163
2029	370,000	783,063	1,153,063
2030	390,000	755,513	1,145,513
2031	410,000	726,513	1,136,513
2032	435,000	695,881	1,130,881
2033	460,000	663,438	1,123,438
2034	485,000	634,638	1,119,638
2035	510,000	609,763	1,119,763
2036	535,000	583,638	1,118,638
2037	565,000	556,844	1,121,844
2038	600,000	529,175	1,129,175
2039	630,000	499,963	1,129,963
2040	665,000	468,375	1,133,375
2041	700,000	434,250	1,134,250
2042	740,000	398,250	1,138,250
2043	780,000	360,250	1,140,250
2044	825,000	320,125	1,145,125
2045	870,000	277,749	1,147,749
2046	920,000	232,999	1,152,999
2047	970,000	185,749	1,155,749
2048	1,020,000	135,999	1,155,999
2049	1,075,000	83,624	1,158,624
2050	1,135,000	28,374	1,163,374
	$ 16,085,000	$ 12,464,343	$ 28,549,343

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2024 Contract Revenue Bonds--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2026	$ -	$ 685,850	$ 685,850
2027	340,000	674,800	1,014,800
2028	360,000	652,050	1,012,050
2029	375,000	628,163	1,003,163
2030	395,000	603,138	998,138
2031	410,000	576,975	986,975
2032	430,000	554,513	984,513
2033	450,000	536,375	986,375
2034	475,000	517,875	992,875
2035	495,000	498,475	993,475
2036	520,000	478,175	998,175
2037	545,000	456,875	1,001,875
2038	570,000	434,575	1,004,575
2039	595,000	411,275	1,006,275
2040	625,000	386,875	1,011,875
2041	655,000	361,275	1,016,275
2042	685,000	334,475	1,019,475
2043	720,000	306,375	1,026,375
2044	755,000	276,875	1,031,875
2045	790,000	245,975	1,035,975
2046	825,000	213,157	1,038,157
2047	865,000	178,303	1,043,303
2048	905,000	141,797	1,046,797
2049	950,000	103,538	1,053,538
2050	995,000	63,422	1,058,422
2051	1,040,000	21,450	1,061,450
	$ 15,770,000	$ 10,342,631	$ 26,112,631

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2024 Contract Revenue Road Bonds--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2026	$ -	$ 712,619	$ 712,619
2027	355,000	701,081	1,056,081
2028	375,000	677,356	1,052,356
2029	390,000	652,494	1,042,494
2030	410,000	626,494	1,036,494
2031	430,000	599,194	1,029,194
2032	450,000	575,937	1,025,937
2033	470,000	557,256	1,027,256
2034	490,000	538,056	1,028,056
2035	515,000	517,956	1,032,956
2036	540,000	496,856	1,036,856
2037	565,000	474,756	1,039,756
2038	590,000	451,656	1,041,656
2039	620,000	427,456	1,047,456
2040	650,000	402,056	1,052,056
2041	680,000	375,456	1,055,456
2042	715,000	347,556	1,062,556
2043	745,000	318,356	1,063,356
2044	780,000	287,856	1,067,856
2045	820,000	255,856	1,075,856
2046	860,000	221,718	1,081,718
2047	900,000	185,417	1,085,417
2048	940,000	147,474	1,087,474
2049	985,000	107,766	1,092,766
2050	1,035,000	66,103	1,101,103
2051	1,085,000	22,378	1,107,378
	$ 16,395,000	$ 10,747,159	$ 27,142,159

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2026	$ 1,110,000	$ 4,086,331	$ 5,196,331
2027	1,865,000	3,992,225	5,857,225
2028	1,965,000	3,870,475	5,835,475
2029	2,060,000	3,742,513	5,802,513
2030	2,160,000	3,608,339	5,768,339
2031	2,270,000	3,469,063	5,739,063
2032	2,385,000	3,334,462	5,719,462
2033	2,505,000	3,204,025	5,709,025
2034	2,635,000	3,073,175	5,708,175
2035	2,760,000	2,947,151	5,707,151
2036	2,900,000	2,820,801	5,720,801
2037	3,045,000	2,688,757	5,733,757
2038	3,200,000	2,550,713	5,750,713
2039	3,355,000	2,405,776	5,760,776
2040	3,530,000	2,251,413	5,781,413
2041	3,710,000	2,086,944	5,796,944
2042	3,890,000	1,914,275	5,804,275
2043	4,090,000	1,731,463	5,821,463
2044	4,295,000	1,537,813	5,832,813
2045	4,515,000	1,333,809	5,848,809
2046	4,740,000	1,117,912	5,857,912
2047	4,985,000	889,918	5,874,918
2048	5,225,000	649,926	5,874,926
2049	5,490,000	397,452	5,887,452
2050	4,105,000	177,873	4,282,873
2051	2,125,000	43,828	2,168,828
	$ 84,915,000	$ 59,926,432	$ 144,841,432

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 4
TSI-6. Change in Long-Term Bonded Debt
April 30, 2025

	Bond Issue		
	Series 2022	Series 2022 Road	Series 2023
Interest rate	5.00% - 5.50%	5.00% - 5.50%	4.00% - 6.50%
Dates interest payable	11/1; 5/1	11/1; 5/1	11/1; 5/1
Maturity dates	11/1/24 - 11/1/48	11/1/24 - 11/1/48	11/1/25 - 11/1/49
Beginning bonds outstanding	$ 12,480,000	$ 10,400,000	$ 14,250,000
Bonds issued			
Bonds retired	(255,000)	(210,000)	
Ending bonds outstanding	$ 12,225,000	$ 10,190,000	$ 14,250,000
Interest paid during fiscal year	$ 655,987	$ 546,712	$ 664,169

Paying agent's name and city	
All other Series	BOKF, NA, Dallas, Texas
Series 2022 and Series 2022 Road	Regions Bank, Houston, Texas

Master District Contract Revenue Bond Authority:	Water, Sewer and Drainage Bonds	Road Bonds
Amount Authorized by Voters	$ 610,227,000	$ 199,661,000
Amount Issued	(42,500,000)	(42,880,000)
Remaining To Be Issued	$ 567,727,000	$ 156,781,000

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

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

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

All bonds are secured with tax revenues. Bonds may also be secured with other revenues taxes. in combination with taxes.

Debt Service Fund cash and investments balance as of April 30, 2025:	$ 4,861,844
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 5,570,824

See accompanying auditor's report.

	Bond Issue			
	Series 2023 Road	Series 2024	Series 2024 Road	Totals
	4.75% - 7.25% 11/1; 5/1 11/1/25 - 11/1/49	4.00% - 6.50% 11/1; 5/1 11/1/26 - 11/1/50	4.00% - 6.50% 11/1; 5/1 11/1/26 - 11/1/50	
	$ 16,085,000	$ -	$ -	$ 53,215,000
		15,770,000	16,395,000	32,165,000
				(465,000)
	$ 16,085,000	$ 15,770,000	$ 16,395,000	$ 84,915,000
	$ 868,613	$ 409,605	$ 425,592	$ 3,570,678

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

	Amounts				
	2025**	2024	2023	2022	2021
Revenues					
Water service	$ 11,852	$ 11,593	$ 3,597	$ -	$ -
Sewer service	934				
Property taxes	36,704	29,013	85,501		
Penalties and interest	435	228	2,932		
Tap connection and inspection	67,681	104,825	11,330		
Miscellaneous	5,906	20			
Investment earnings	831	1,447	581		8
Total Revenues	124,343	147,126	103,941		8
Expenditures					
Current service operations					
Purchased services				684	
Professional fees	35,226	29,066	23,668	156,841	183,508
Contracted services	27,131	9,625	15,975	6,680	6,400
Repairs and maintenance	123				
Administrative	9,325	3,324	11,777	13,091	12,574
Other	70	50	542	3,029	1,348
Capital outlay	69,196				
Intergovernmental					
Master District connection fees	19,354	13,948	9,785		
Contractual Obligations	13,562	24,859	11,902		
Total Expenditures	173,987	80,872	73,649	180,325	203,830
Revenues Over (Under) Expenditures	$ (49,644)	$ 66,254	$ 30,292	$ (180,325)	$ (203,822)
Total Active Retail Water Connections	10	5	N/A	N/A	N/A
Total Active Retail Wastewater Connections	3	2	N/A	N/A	N/A

*Percentage is negligible

**Tax assessment and collection expenditures are reported in the General Fund beginning with the 2025 fiscal year.

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025**	2024	2023	2022	2021
10%	8%	3%	-%	-%
1%				
30%	20%	82%		
*	*	3%		
	71%	11%		
5%	*			
1%	1%	1%		*
47%	100%	100%		0%
			-	
28%	20%	23%	-	-
22%	7%	15%	-	-
*				
7%	2%	11%	-	-
*	*	1%	-	-
56%				
16%	9%	9%		
11%	17%	11%	-	-
140%	55%	70%	0%	0%
(93%)	45%	30%	-%	-%

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

	Amounts		
	2025**	2024	2023
Revenues			
Property taxes	$ -	$ 8,813	$ -
Contract tax from participants	5,367,125	3,584,549	221,002
Penalties and interest		585	
Investment earnings	215,874	116,459	25,793
Total Revenues	5,582,999	3,710,406	246,795
Expenditures			
Tax collection services		19,001	
Debt service			
Principal	465,000		
Interest and fees	3,573,468	2,062,617	442,302
Total Expenditures	4,038,468	2,081,618	442,302
Revenues Over (Under) Expenditures	$ 1,544,531	$ 1,628,788	$ (195,507)

*Percentage is negligible

**Tax assessment and collection expenditures are reported in the General Fund beginning with the 2025 fiscal year.

See accompanying auditor's report.

Percent of Fund Total Revenues		
2025**	2024	2023
	*	
96%	97%	90%
	*	
4%	3%	10%
100%	100%	100%
	1%	
8%		
64%	56%	179%
72%	57%	179%
28%	43%	(79%)

Harris - Waller Counties Municipal Utility District No. 4
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2025

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number:	(713) 860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	April 17, 2025
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Rhonda Gideon	05/24 - 05/28	$ 2,873	$ 195	President
Cindy Morrow	04/25 - 05/28			Vice President
Ruth Delaunay	05/24 - 05/28	4,489	285	Secretary
Sabrina Alaquinez	05/22 - 05/26	2,873	221	Assistant Vice President
Way Denkler	05/22 - 05/26	1,768	104	Assistant Secretary
Erica Tabrizi	05/24 - 03/25	663	39	Former Director
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	2020			Attorney
General legal fees		$ 195,294		
Municipal District Services	2020	391,129		Operator
Myrtle Cruz, Inc.	2020	51,398		Bookkeeper
Bob Leared Interests	2020	8,534		Tax Collector
Waller County Appraisal District	Legislation	472		Property Valuation
Harris Central Appraisal District	Legislation	3,065		Property Valuation
Perdue Brandon Fielder Collins	2023			Delinquent Tax Attorney
Quiddity Engineering, LLC	2020	238,744		Engineer
Kimley-Horn & Associates, Inc.	2020			Landscape Architect
McGrath & Co., PLLC	2020	42,500		Auditor
R.W. Baird & Co., Inc.	2020	645,006		Financial Advisor
Schwartz, Page & Harding, L.L.P	2024	713,800		Bond counsel

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

HARRIS - WALLER COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 5

HARRIS AND WALLER COUNTIES, TEXAS

FINANCIAL REPORT

April 30, 2025

Table of Contents

McGRATH & CO., PLLC

Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris - Waller Counties Municipal Utility District No. 5
Harris and Waller Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris - Waller Counties Municipal Utility District No. 5 (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 Harris - Waller Counties Municipal Utility District No. 5, as of April 30, 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. 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the District implemented GASB Implementation Guide 2021-1, Question 5.1 during the current fiscal year. Our opinion is 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

McGrath & Co, PLLC

Houston, Texas
August 21, 2025

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Harris - Waller Counties Municipal Utility District No. 5 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues*, *Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at April 30, 2025, was negative $27,150,051. The District's net position is negative because the District incurs debt to construct public roads which it conveys to Waller County. A comparative summary of the District's overall financial position, as of April 30, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	$ 11,303,531	$ 7,729,660
Capital assets	30,105,679	24,325,863
Total assets	41,409,210	32,055,523
Current liabilities	4,937,244	9,896,162
Long-term liabilities	63,622,017	43,488,201
Total liabilities	68,559,261	53,384,363
Net position		
Net investment in capital assets	(9,041,716)	(6,031,026)
Restricted	3,143,927	2,149,062
Unrestricted	(21,252,262)	(17,446,876)
Total net position	$ (27,150,051)	$ (21,328,840)

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of a group of individual assets that are below the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. In accordance with this standard, the District recognized, as infrastructure capital assets, water meters that were previously expensed in prior fiscal years, net of related accumulated depreciation, as of the beginning of the current fiscal year. Prior year data has not been restated to include values for these infrastructure assets and, as a result, the presentation of prior year data as it relates to these assets is not consistent with the current year presentation (see Notes 3 and 6).

The total net position of the District decreased during the current fiscal year by $6,612,650. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Property taxes, penalties and interest	$ 7,304,431	$ 5,446,799
Water and sewer service	2,360,743	1,901,682
Other	1,009,516	1,142,660
Total revenues	10,674,690	8,491,141
Expenses		
Current service operations	1,398,214	1,709,972
Debt interest and fees	2,191,626	1,327,976
Developer interest	1,490,880	1,309,068
Debt issuance costs	1,866,483	2,041,975
Intergovernmental	5,359,017	4,424,949
Depreciation	1,162,675	731,028
Total expenses	13,468,895	11,544,968
Change in net position before other item	(2,794,205)	(3,053,827)
Other item		
Transfers to other governments	(3,818,445)	(2,132,503)
Change in net position	(6,612,650)	(5,186,330)
Net position, beginning of year (2025 restated)	(20,537,401)	(16,142,510)
Net position, end of year	$ (27,150,051)	$ (21,328,840)

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year and, as a result, has restated its beginning net position for the current fiscal year. Prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2025, were $7,328,729, which consists of $2,654,408 in the General Fund, $3,435,404 in the Debt Service Fund and $1,238,917 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 3,837,210	$ 2,901,463
Total liabilities	$ 1,148,767	$ 917,642
Total deferred inflows	34,035	47,874
Total fund balance	2,654,408	1,935,947
Total liabilities, deferred inflows and fund balance	$ 3,837,210	$ 2,901,463

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

	2025	2024
Total revenues	$ 4,882,396	$ 5,241,451
Total expenditures	(4,163,935)	(3,765,278)
Revenues over expenditures	$ 718,461	$ 1,476,173

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of April 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 6,223,691	$ 4,194,899
Total liabilities	$ 2,664,889	$ 2,045,837
Total deferred inflows	123,398	77,652
Total fund balance	3,435,404	2,071,410
Total liabilities, deferred inflows and fund balance	$ 6,223,691	$ 4,194,899

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

	2025	2024
Total revenues	$ 5,741,331	$ 3,148,694
Total expenditures	(4,868,237)	(3,134,176)
Revenues over expenditures	873,094	14,518
Other changes in fund balance	490,900	1,353,800
Net change in fund balance	$ 1,363,994	$ 1,368,318

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of April 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 1,242,630	$ 633,298
Total liabilities	$ 3,713	$ 1,299
Total fund balance	1,238,917	631,999
Total liabilities and fund balance	$ 1,242,630	$ 633,298

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

	2025	2024
Total revenues	$ 19,057	$ 25,282
Total expenditures	(15,578,655)	(21,291,276)
Revenues under expenditures	(15,559,598)	(21,265,994)
Other changes in fund balance	16,166,516	21,440,087
Net change in fund balance	$ 606,918	$ 174,093

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2024 Unlimited Tax Bonds, Series 2024 Unlimited Tax Road Bonds and Series 2024 Unlimited Tax Park Bonds in the current fiscal year and issuance of its Series 2023 Unlimited Tax Bonds, Series 2023 Tax Road Bonds, Series 2023 Bond Anticipation Note and Series 2023 Park Bond Anticipation in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $144,523 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at April 30, 2025 and 2024, are summarized as follows:

	2025	2024
Capital assets not being depreciated		
Construction in progress	$ -	$ 258,008
Capital assets being depreciated		
Infrastructure	20,721,155	19,457,534
Other facilities	12,098,149	5,972,735
	32,819,304	25,430,269
Less accumulated depreciation		
Infrastructure	(1,754,932)	(1,008,629)
Other facilities	(958,693)	(353,785)
	(2,713,625)	(1,362,414)
Depreciable capital assets, net	30,105,679	24,067,855
Capital assets, net	$ 30,105,679	$ 24,325,863

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year. As a result, prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

Capital asset additions during the current fiscal year include the following:

- Sunterra Section 21 landscaping improvements
- Sunterra Section 34 landscaping improvements
- Sunterra Sol Club West amenity improvements
- Sunterra Beach Corner Park improvements
- Water meters

Waller County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of Waller County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended April 30, 2025, capital assets in the amount of $3,818,445 have been recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of April 30, 2025, the District owes approximately $8,637,017 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 8, the District has an additional commitment in the amount of $1,030,000 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers is trued up when the developer is reimbursed.

At April 30, 2025 and 2024, the District had total bonded debt outstanding as shown below:

Series	2025	2024
2022	$ 9,030,000	$ 9,215,000
2023	12,350,000	12,350,000
2023 Road	11,275,000	11,275,000
2024	3,700,000	
2024 Road	10,035,000	
2024 Park	9,300,000	
	$ 55,690,000	$ 32,840,000

During the current fiscal year, the District issued $3,700,000 in unlimited tax bonds, $10,035,000 in unlimited road tax bonds and $9,300,000 in unlimited tax park bonds. At April 30, 2025, the District had $109,565,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $40,449,000 for the refunding of such bonds; $40,480,000 authorized, but unissued, for parks and recreational facilities and $14,934,000 for the refunding of such bonds; and $105,935,000 authorized, but unissued, for road improvements and $38,174,000 for the refunding of such bonds.

Property Taxes

The District's property tax base increased approximately $113,220,000 for the 2025 tax year from $477,580,786 to $590,800,998, based on preliminary and certified values. This increase was primarily due to new construction in the District and increase property values.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2025 Actual	2026 Budget
Total revenues	$ 4,882,396	$ 3,959,542
Total expenditures	(4,163,935)	(3,840,064)
Revenues over expenditures	718,461	119,478
Beginning fund balance	1,935,947	2,654,408
Ending fund balance	$ 2,654,408	$ 2,773,886

Basic Financial Statements

Harris - Waller Counties Municipal Utility District No. 5
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	$ 229,473	$ 154,762	$ 1,036,353	$ 1,420,588
Investments	3,120,593	5,979,185	264,570	9,364,348
Taxes receivable	34,035	123,398		157,433
Customer service receivables, net	300,468			300,468
Internal balances	91,947	(33,654)	(58,293)	
Prepaid items	896			896
Other receivables	59,798			59,798
Capital assets, net				
Total Assets	$ 3,837,210	$ 6,223,691	$ 1,242,630	$ 11,303,531
Liabilities				
Accounts payable	$ 454,335	$ -	$ 3,713	$ 458,048
Other payables	3,556	40,268		43,824
Customer deposits	629,404			629,404
Builder deposits	42,525			42,525
Unearned revenue	18,947			18,947
Due to Master District		2,624,621		2,624,621
Accrued interest payable				
Due to developers				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	1,148,767	2,664,889	3,713	3,817,369
Deferred Inflows of Resources				
Deferred property taxes	34,035	123,398		157,433
Fund Balances/Net Position				
Fund Balances				
Nonspendable	896			896
Restricted		3,435,404	1,238,917	4,674,321
Unassigned	2,653,512			2,653,512
Total Fund Balances	2,654,408	3,435,404	1,238,917	7,328,729
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,837,210	$ 6,223,691	$ 1,242,630	$ 11,303,531
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

Adjustments	Statement of Net Position
$ -	$ 1,420,588
	9,364,348
	157,433
	300,468
	896
	59,798
30,105,679	30,105,679
30,105,679	41,409,210
	458,048
	43,824
	629,404
	42,525
	18,947
	2,624,621
414,875	414,875
8,637,017	8,637,017
705,000	705,000
54,985,000	54,985,000
64,741,892	68,559,261
(157,433)	
(896)	
(4,674,321)	
(2,653,512)	
(7,328,729)	
(9,041,716)	(9,041,716)
3,143,927	3,143,927
(21,252,262)	(21,252,262)
$ (27,150,051)	$ (27,150,051)

Harris - Waller Counties Municipal Utility District No. 5
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Water service	$ 1,498,889	$ -	$ -	$ 1,498,889
Sewer service	861,854			861,854
Property taxes	1,605,258	5,512,744		7,118,002
Penalties and interest	61,811	92,712		154,523
Tap connection and inspection	662,629			662,629
Miscellaneous	76,336			76,336
Investment earnings	115,619	135,875	19,057	270,551
Total Revenues	4,882,396	5,741,331	19,057	10,642,784
Expenditures/Expenses				
Current service operations				
Professional fees	150,695	7,017	99,635	257,347
Contracted services	751,516	107,875		859,391
Repairs and maintenance	241,475			241,475
Administrative	18,906	7,387		26,293
Other	11,503	940	1,265	13,708
Capital outlay	255,444		11,847,653	12,103,097
Debt service				
Principal		185,000		185,000
Interest and fees		1,935,397	272,739	2,208,136
Developer interest			1,490,880	1,490,880
Debt issuance costs			1,866,483	1,866,483
Intergovernmental				
Master District connection fees	2,419,891			2,419,891
Maintenance charges	314,505			314,505
Contractual obligations		2,624,621		2,624,621
Depreciation				
Total Expenditures/Expenses	4,163,935	4,868,237	15,578,655	24,610,827
Revenues Over (Under) Expenditures/Expenses	718,461	873,094	(15,559,598)	(13,968,043)
Other Financing Sources/(Uses)				
Proceeds from sale of bonds		490,900	22,544,100	23,035,000
Repayment of bond anticipation notes			(6,315,000)	(6,315,000)
Repayment of operating advances			(62,584)	(62,584)
Other Items				
Transfers to other governments				
Net Change in Fund Balances	718,461	1,363,994	606,918	2,689,373
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year, as reported	1,935,947	2,071,410	631,999	4,639,356
Change due to new accounting guidance (See Note 3)				
Beginning of the year, as restated	1,935,947	2,071,410	631,999	4,639,356
End of the year	$ 2,654,408	$ 3,435,404	$ 1,238,917	$ 7,328,729

See notes to basic financial statements.

Adjustments	Statement of Activities
$ -	$ 1,498,889
	861,854
27,291	7,145,293
4,615	159,138
	662,629
	76,336
	270,551
31,906	10,674,690
	257,347
	859,391
	241,475
	26,293
	13,708
(12,103,097)	
(185,000)	
(16,510)	2,191,626
	1,490,880
	1,866,483
	2,419,891
	314,505
	2,624,621
1,162,675	1,162,675
(11,141,932)	13,468,895
11,173,838	(2,794,205)
(23,035,000)	
6,315,000	
62,584	
(3,818,445)	(3,818,445)
(2,689,373)	
(6,612,650)	(6,612,650)
(25,968,196)	(21,328,840)
791,439	791,439
(25,176,757)	(20,537,401)
$ (34,478,780)	$ (27,150,051)

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris - Waller Counties Municipal Utility District No. 5 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

Harris - Waller Counties Municipal Utility District No. 4 ('MUD 4") was organized, created, and established pursuant to House Bill No. 4520, 86th Session of the Texas Legislature, Regular Session, codified as Chapter 8047, Texas Special District Local Law Code (the "Act"), effective May 3, 2019. On July 30, 2020, the voters of MUD 4 approved a proposition dividing MUD 4 into three districts: the District, MUD 4 and Waller County Municipal Utility District No. 37 ("MUD 37"). As a result of the division, the District operates in accordance with Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution, and the Texas Water Code, Chapters 49 and 54. On November 3, 2020, the voters of the District voted to confirm the creation of the District. The Board of Directors held its first meeting on August 11, 2020, and the first bonds were issued on November 22, 2022.

The District's primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities.*

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage, and park and recreational facilities and road improvements.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At April 30, 2025, an allowance of $17,000 was provided for possible uncollectible water/sewer accounts. An allowance for uncollectible property taxes was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $250,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	10-45 years
Landscaping improvements	20 years

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and capitalized interest from the sale of bonds and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to Waller County and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		$ 7,328,729
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 32,819,304	
Less accumulated depreciation	(2,713,625)	
		30,105,679
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(414,875)	
Due to developers	(8,637,017)	
Bonds payable, net	(55,690,000)	
		(64,741,892)
Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		157,433
Total net position - governmental activities		$ (27,150,051)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds		$ 2,689,373
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest.		31,906
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	$ 12,103,097	
Transfers to other governments	(3,818,445)	
Depreciation expense	(1,162,675)	
		7,121,977
Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Issuance of long-term debt	(23,035,000)	
Repayment of bond anticipation note	6,315,000	
Repayment of developer advances	62,584	
Principal payments	185,000	
Interest expense accrual	16,510	
		(16,455,906)
Change in net position of governmental activities		$ (6,612,650)

Note 3 – Implementation of New Accounting Guidance

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District's acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government-wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position*.

GASBIG 2021-1, Question 5.1 is required to be retroactively implemented, which means the District is required to record the acquisition of water meters that were expensed in previous fiscal years as infrastructure capital assets and to record the related accumulated depreciation at the beginning of the current fiscal year. Accordingly, the District has recorded a restatement to recognize $791,439 in depreciable capital assets, which were measured at net book value (i.e., cost less accumulated depreciation) as of the beginning of the current fiscal year and increased its beginning net position by the same amount. Prior year amounts in the Management's Discussion and Analysis and supplementary schedules were not restated.

Note 4 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less,

(11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of April 30, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	$ 230,000	2%	N/A	N/A
TexSTAR	General	2,890,593			
	Debt Service	5,979,185			
	Capital Projects	264,570			
		9,134,348	98%	AAAm	40 days
Total		$ 9,364,348	100%		

The District's investments in certificates of deposit are reported at cost.

TexSTAR

The Texas Short Term Asset Reserve fund ("TexSTAR") is managed by Hilltop Securities, and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 5 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2025, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 33,654	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	58,293	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Note 6 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2025, is as follows:

	Beginning Balances	Additions/ Adjustments	Retirements	Ending Balances
Capital assets not being depreciated				
Construction in progress	$ 258,008	$ -	$ (258,008)	$ -
Capital assets being depreciated				
Infrastructure	20,437,509	283,646		20,721,155
Landscaping improvements	5,972,735	6,125,414		12,098,149
	26,410,244	6,409,060		32,819,304
Less accumulated depreciation				
Infrastructure	(1,197,165)	(557,767)		(1,754,932)
Landscaping improvements	(353,785)	(604,908)		(958,693)
	(1,550,950)	(1,162,675)		(2,713,625)
Subtotal depreciable capital assets, net	24,859,294	5,246,385		30,105,679
Capital assets, net	$ 25,117,302	$ 5,246,385	$ (258,008)	$ 30,105,679

Depreciation expense for the current fiscal year was $1,162,675.

As discussed in Note 3, the District recorded a restatement to capitalize the acquisition of certain capital assets and accumulated depreciation at the beginning of the current fiscal year. In previous years, these costs were expensed. As a result, beginning balances for infrastructure capital assets in the current fiscal year are not consistent with prior year data.

Note 7 – Bond Anticipation Note

The District uses a bond anticipation note ("BAN") to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had two BANs outstanding in the amount of $6,315,000. These BANs were repaid on September 26, 2024, with proceeds from the issuance of the District's Series 2024 Unlimited Tax Bonds and Series 2024 Unlimited Tax Park Bonds.

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

Beginning balance	$ 6,315,000
Amounts repaid	(6,315,000)
Ending balance	$ -

Note 8 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will construct facilities on behalf of the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Changes in the estimated amounts due to developers during the fiscal year are as follows:

Due to developers, beginning of year	$ 10,833,201
Developer reimbursements	(11,847,653)
Developer funded construction and adjustments	9,714,053
Repayment of operating advances	(62,584)
Due to developers, end of year	$ 8,637,017

In addition, the District will owe the developers approximately $1,030,000, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount**
Phase 1-4 park enhancements*	$ 250,000
Phase 1-4 playground improvements*	440,000
Sections 27 and 40 parks*	340,000
	$ 1,030,000

*District's estimated share of contract
**Rounded to the nearest $10,000

Note 9 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 55,690,000
Due within one year	$ 705,000

The District's bonds payable at April 30, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2022	$ 9,030,000	$ 9,215,000	4.00% - 5.00%	September 1, 2024/2048	September 1, March 1	September 1, 2029
2023	12,350,000	12,350,000	3.50% - 5.00%	September 1, 2025/2049	September 1, March 1	September 1, 2030
2023 Road	11,275,000	11,275,000	5.00%	September 1, 2025/2049	September 1, March 1	September 1, 2030
2024	3,700,000	3,700,000	4.00% - 6.00%	September 1, 2026/2050	September 1, March 1	September 1, 2030
2024 Road	10,035,000	10,035,000	4.00% - 6.00%	September 1, 2026/2050	September 1, March 1	September 1, 2030
2024 Park	9,300,000	9,300,000	4.00% - 6.50%	September 1, 2026/2050	September 1, March 1	September 1, 2030
	$ 55,690,000					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At April 30, 2025, the District had authorized but unissued bonds in the amount of $109,565,000 for water, sanitary sewer and drainage systems within the District and $40,449,000 for the refunding of such bonds; $40,480,000 for park and recreational facilities and $14,934,000 for the refunding of such bonds; and $105,935,000 for road improvements and $38,174,000 for the refunding of such bonds.

On September 26, 2024, the District issued its $3,700,000 Series 2024 Unlimited Tax Bonds at a net effective interest rate of 4.289980%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to repay portion of $1,980,000 BAN issued in the previous fiscal year.

On September 26, 2024, the District issued its $10,035,000 Series 2024 Unlimited Tax Road Bonds at a net effective interest rate of 4.246272%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

On September 26, 2024, the District issued its $9,300,000 Series 2024 Unlimited Tax Park Bonds at a net effective interest rate of 4.256798%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to repay a $4,335,000 BAN issued in the previous fiscal year.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	$ 32,840,000
Bonds issued	23,035,000
Bonds retired	(185,000)
Bonds payable, end of year	$ 55,690,000

As of April 30, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	$ 705,000	$ 2,472,600	$ 3,177,600
2027	1,255,000	2,422,475	3,677,475
2028	1,320,000	2,353,850	3,673,850
2029	1,370,000	2,282,407	3,652,407
2030	1,440,000	2,208,088	3,648,088
2031	1,515,000	2,130,543	3,645,543
2032	1,580,000	2,058,112	3,638,112
2033	1,655,000	1,990,713	3,645,713
2034	1,735,000	1,919,681	3,654,681
2035	1,810,000	1,844,612	3,654,612
2036	1,910,000	1,765,412	3,675,412
2037	2,000,000	1,681,856	3,681,856
2038	2,095,000	1,593,737	3,688,737
2039	2,190,000	1,500,575	3,690,575
2040	2,295,000	1,402,425	3,697,425
2041	2,405,000	1,299,526	3,704,526
2042	2,520,000	1,191,651	3,711,651
2043	2,640,000	1,078,576	3,718,576
2044	2,770,000	959,951	3,729,951
2045	2,905,000	835,076	3,740,076
2046	3,040,000	703,713	3,743,713
2047	3,195,000	565,788	3,760,788
2048	3,345,000	420,607	3,765,607
2049	3,505,000	268,044	3,773,044
2050	3,000,000	124,938	3,124,938
2051	1,490,000	29,950	1,519,950
	$ 55,690,000	$ 37,104,906	$ 92,794,906

Note 10 – Property Taxes

On November 3, 2020, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value and a road maintenance tax limited to $0.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Harris Central and Waller County Appraisal Districts. Assessed values are determined as of January 1 of each year, at which time a tax

lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.
Property taxes are collected based on rates adopted in the year of the levy. The District's 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of $1.50 per $100 of assessed value, of which $0.335 was allocated to maintenance and operations, $0.390 was allocated to debt service, $0.220 was allocated to road debt service, and $0.555 was allocated to contract tax. The resulting tax levy was $7,163,712 on the adjusted taxable value of $477,580,786.

Property taxes receivable, at April 30, 2025, consisted of the following:

Current year taxes receivable	$ 126,942
Prior years taxes receivable	13,430
	140,372
Penalty and interest receivable	17,061
Property taxes receivable	$ 157,433

Note 11 – Transfers to Other Governments

Waller County assumes responsibility for the maintenance of public roads constructed within Waller County limits. Accordingly, road facilities are considered to be capital assets of Waller County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended April 30, 2025, the District recorded transfers to other governments in the amount of $3,818,445 for road facilities constructed by a developer within the District.

Note 12 – Master District

On November 17, 2020, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the "Contract") with MUD 4 (the "Master District"), as subsequently amended, 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.

Operating and Maintenance Reserve

The Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the District to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually. As of April 30, 2025, the District has paid $251,294 to the Master District for its share of the operating and maintenance reserve.

Monthly Connection Fees for Operating Expenses

Upon commencement of services, the Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The term of the Contract is 40 years.

Master District Debt

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage, and road facilities needed to provide services to all participating districts in the service area. The District shall contribute annually to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. For the 2024 tax year, the District's pro rata share is 49.03%. The District levied a contract tax rate of $0.555 per $100 of assessed valuation to pay for its pro rata share of Master District debt service requirements. As of April 30, 2025, the Master District has $84,915,000 in contract revenue bonds outstanding.

Summary of Charges

For the fiscal year ended April 30, 2025, the District incurred the following costs pursuant to the Contract with the Master District:

- Monthly connection fees for operating expenses in the amount of $2,419,891;
- Monthly charges for mowing expenses in the amount of $314,505; and
- Contractual obligations for Master District debt service requirements in the amount of $2,419,891.

Note 13 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 14 – Subsequent Events

On July 17, 2025, the Master District, approved the sale of its $17,425,000 Series 2025 Contract Revenue Bonds at a net effective rate of 4.936681%. Proceeds from the bonds were used to reimburse the Master District's developers for infrastructure improvements in the District.

On July 17, 2025, the Master District, approved the sale of its $16,135,000 Series 2025 Contract Revenue Road Bonds at a net effective rate of 4.939333%. Proceeds from the bonds were used to reimburse the Master District's developers for infrastructure improvements in the District.

Required Supplementary Information

Harris - Waller Counties Municipal Utility District No. 5
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ 1,900,000	$ 2,300,000	$ 1,498,889	$ (801,111)
Sewer service	90,000	90,000	861,854	771,854
Property taxes	2,200,000	1,570,000	1,605,258	35,258
Penalties and interest	20,000	20,000	61,811	41,811
Tap connection and inspection	463,500	463,500	662,629	199,129
Miscellaneous			76,336	76,336
Investment earnings			115,619	115,619
Total Revenues	4,673,500	4,443,500	4,882,396	438,896
Expenditures				
Current service operations				
Professional fees	153,000	155,000	150,695	4,305
Contracted services	2,563,544	3,044,794	751,516	2,293,278
Repairs and maintenance	620,500	472,784	241,475	231,309
Administrative	28,484	28,484	18,906	9,578
Other	14,000	14,000	11,503	2,497
Capital outlay	154,500	154,500	255,444	(100,944)
Intergovernmental				
Master District connection fees			2,419,891	(2,419,891)
Maintenance charges			314,505	(314,505)
Total Expenditures	3,534,028	3,869,562	4,163,935	(294,373)
Revenues Over Expenditures	1,139,472	573,938	718,461	144,523
Fund Balance				
Beginning of the year	1,935,947	1,935,947	1,935,947	
End of the year	$ 3,075,419	$ 2,509,885	$ 2,654,408	$ 144,523

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Harris - Waller Counties Municipal Utility District No. 5
TSI-1. Services and Rates
April 30, 2025

1. Services provided by the District During the Fiscal Year:

[X] Retail Water	[ ] Wholesale Water	[X] Solid Waste / Garbage	[X] Drainage
[X] Retail Wastewater	[ ] Wholesale Wastewater	[ ] Flood Control	[ ] Irrigation
[X] Parks / Recreation	[ ] Fire Protection	[ ] Roads	[X] Security

[X] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

[ ] Other (Specify): ______

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	$ 57.00	10,000	N	$ 4.30	10,001 to no limit
Wastewater:	$ 47.50		Y		

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 57.00 Wastewater $ 47.50

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1,720	1,703	x 1.0	1,703
1"	1	1	x 2.5	3
1.5"			x 5.0	
2"	43	43	x 8.0	344
3"			x 15.0	
4"	2	2	x 25.0	50
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	1,766	1,749		2,100
Total Wastewater	1,722	1,705	x 1.0	1,705

See accompanying auditor's report.

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

Gallons purchased:	216,917,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	216,917,000	100.00%

4. Standby Fees (authorized only under TWC Section 49.231):

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

If yes, Date of the most recent commission Order: ______

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

If yes, Date of the most recent commission Order: ______

5. Location of District

Is the District located entirely within one county? Yes [ ] No [X]

County(ies) in which the District is located: Harris and Waller Counties

Is the District located within a city? Entirely [ ] Partly [ ] Not at all [X]

City(ies) in which the District is located: ______

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely [X] Partly [ ] Not at all [ ]

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes [ ] No [X]

If Yes, by whom? ______

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-2. General Fund Expenditures
For the Year Ended April 30, 2025

Professional fees	
Legal	$ 135,695
Audit	15,000
	150,695
Contracted services	
Bookkeeping	25,700
Operator	135,776
Garbage collection	404,721
Inspection	86,662
Security Service	98,657
	751,516
Repairs and maintenance	241,475
Administrative	
Directors fees	11,713
Printing and office supplies	1,777
Insurance	3,161
Other	2,255
	18,906
Other	11,503
Capital outlay	255,444
Intergovernmental	
Master District connection fees	2,419,891
Maintenance charges	314,505
	2,734,396
Total expenditures	$ 4,163,935

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-3. Investments
April 30, 2025

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
TexSTAR	Variable	N/A	$ 2,890,593	$ -
Certificates of deposit	5.15%	06/18/25	230,000	4,316
			3,120,593	4,316
Debt Service				
TexSTAR	Variable	N/A	2,091,635	
TexSTAR	Variable	N/A	1,236,342	
TexSTAR	Variable	N/A	2,651,208	
			5,979,185	
Capital Projects				
TexSTAR	Variable	N/A	264,570	
Total - All Funds			$ 9,364,348	$ 4,316

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-4. Taxes Levied and Receivable
April 30, 2025

	Maintenance Taxes	W-S-D Debt Service Taxes	Road Debt Service Taxes	Contract Taxes
Beginning Taxes Receivable	$ 47,874	$ 21,487	$ -	$ 43,724
Adjustments	(8,240)	(3,687)		(7,496)
Adjusted Receivable	39,634	17,800		36,228
2024 Original Tax Levy	1,574,623	1,833,143	1,034,081	2,608,703
Adjustments	25,273	29,422	16,597	41,870
Adjusted Tax Levy	1,599,896	1,862,565	1,050,678	2,650,573
Total to be accounted for	1,639,530	1,880,365	1,050,678	2,686,801
Tax collections:				
Current year	1,571,545	1,829,560	1,032,060	2,603,605
Prior years	33,950	15,248		31,034
Total Collections	1,605,495	1,844,808	1,032,060	2,634,639
Taxes Receivable, End of Year	$ 34,035	$ 35,557	$ 18,618	$ 52,162
Taxes Receivable, By Years				
2024	$ 28,351	$ 33,005	$ 18,618	$ 46,968
2023	5,679	2,551		5,192
2022	5	1		2
Taxes Receivable, End of Year	$ 34,035	$ 35,557	$ 18,618	$ 52,162

	2024	2023	2022	2021
Property Valuations:				
Land	$ 105,130,735	$ 109,365,068	$ 55,871,227	$ 10,036,475
Improvements	399,494,051	262,715,550	8,733,418	440,490
Personal Property	3,007,313	2,555,290	277,369	75,854
Exemptions	(30,051,313)	(17,786,281)	(635,792)	(99,673)
Total Property Valuations	$ 477,580,786	$ 356,849,627	$ 64,246,222	$ 10,453,146
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.335	$ 0.635	$ 0.87	$ 1.50
W-S-D debt service tax rates	0.390	0.285	0.22	
Road debt service tax rates	0.220			
Contract tax rates	0.555	0.580	0.41	
Total Tax Rates per $100 Valuation	$ 1.500	$ 1.500	$ 1.50	$ 1.50
Adjusted Tax Levy:	$ 7,163,712	$ 5,352,744	$ 963,693	$ 156,797
Percentage of Taxes Collected to Taxes Levied **	98.23%	99.75%	99.99%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 3, 2020
** Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on November 3, 2020

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

See accompanying auditor's report.

Totals	
$	113,085
	(19,423)
	93,662
	7,050,550
	113,162
	7,163,712
	7,257,374
	7,036,770
	80,232
	7,117,002
$	140,372
$	126,942
	13,422
	8
$	140,372

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 195,000	$ 431,625	$ 626,625
2027	205,000	423,625	628,625
2028	220,000	415,125	635,125
2029	230,000	406,125	636,125
2030	240,000	396,575	636,575
2031	255,000	386,206	641,206
2032	265,000	374,825	639,825
2033	280,000	362,563	642,563
2034	295,000	349,256	644,256
2035	310,000	334,500	644,500
2036	330,000	318,500	648,500
2037	345,000	301,625	646,625
2038	365,000	283,875	648,875
2039	380,000	265,250	645,250
2040	400,000	245,750	645,750
2041	425,000	225,125	650,125
2042	445,000	203,375	648,375
2043	470,000	180,500	650,500
2044	495,000	156,375	651,375
2045	520,000	131,000	651,000
2046	545,000	104,375	649,375
2047	575,000	76,375	651,375
2048	605,000	46,875	651,875
2049	635,000	15,875	650,875
	$ 9,030,000	$ 6,435,300	$ 15,465,300

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 280,000	$ 501,175	$ 781,175
2027	290,000	486,925	776,925
2028	305,000	472,050	777,050
2029	315,000	456,550	771,550
2030	330,000	440,425	770,425
2031	345,000	423,550	768,550
2032	360,000	408,625	768,625
2033	375,000	395,763	770,763
2034	395,000	382,288	777,288
2035	410,000	368,200	778,200
2036	430,000	353,500	783,500
2037	450,000	337,819	787,819
2038	470,000	320,850	790,850
2039	490,000	302,238	792,238
2040	515,000	282,138	797,138
2041	535,000	261,138	796,138
2042	560,000	239,238	799,238
2043	585,000	216,338	801,338
2044	610,000	192,438	802,438
2045	640,000	167,038	807,038
2046	670,000	140,019	810,019
2047	700,000	111,763	811,763
2048	730,000	81,813	811,813
2049	765,000	50,044	815,044
2050	795,000	16,894	811,894
	$ 12,350,000	$ 7,408,819	$ 19,758,819

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2023 Road--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 230,000	$ 558,000	$ 788,000
2027	240,000	546,250	786,250
2028	255,000	533,875	788,875
2029	265,000	520,875	785,875
2030	280,000	507,250	787,250
2031	295,000	492,875	787,875
2032	310,000	477,750	787,750
2033	325,000	461,875	786,875
2034	345,000	445,125	790,125
2035	360,000	427,500	787,500
2036	380,000	409,000	789,000
2037	400,000	389,500	789,500
2038	420,000	369,000	789,000
2039	445,000	347,375	792,375
2040	465,000	324,625	789,625
2041	490,000	300,750	790,750
2042	515,000	275,625	790,625
2043	545,000	249,125	794,125
2044	575,000	221,125	796,125
2045	605,000	191,625	796,625
2046	635,000	160,625	795,625
2047	670,000	128,000	798,000
2048	705,000	93,625	798,625
2049	740,000	57,500	797,500
2050	780,000	19,500	799,500
	$ 11,275,000	$ 8,508,375	$ 19,783,375

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ -	$ 156,425	$ 156,425
2027	85,000	153,875	238,875
2028	85,000	148,775	233,775
2029	90,000	143,694	233,694
2030	95,000	138,788	233,788
2031	100,000	133,912	233,912
2032	105,000	129,312	234,312
2033	110,000	125,012	235,012
2034	110,000	120,612	230,612
2035	115,000	116,112	231,112
2036	125,000	111,312	236,312
2037	130,000	106,212	236,212
2038	135,000	100,912	235,912
2039	140,000	95,412	235,412
2040	145,000	89,712	234,712
2041	155,000	83,713	238,713
2042	160,000	77,413	237,413
2043	165,000	70,913	235,913
2044	175,000	64,113	239,113
2045	185,000	56,913	241,913
2046	190,000	49,294	239,294
2047	200,000	41,250	241,250
2048	210,000	32,794	242,794
2049	220,000	23,925	243,925
2050	230,000	14,644	244,644
2051	240,000	4,950	244,950
	$ 3,700,000	$ 2,389,999	$ 6,089,999

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2024 Road--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ -	$ 426,000	$ 426,000
2027	225,000	419,250	644,250
2028	235,000	405,450	640,450
2029	245,000	391,050	636,050
2030	255,000	376,050	631,050
2031	270,000	360,300	630,300
2032	280,000	346,600	626,600
2033	295,000	335,100	630,100
2034	305,000	323,100	628,100
2035	320,000	310,600	630,600
2036	335,000	297,500	632,500
2037	350,000	283,800	633,800
2038	365,000	269,500	634,500
2039	380,000	254,600	634,600
2040	400,000	239,000	639,000
2041	415,000	222,700	637,700
2042	435,000	205,700	640,700
2043	455,000	187,900	642,900
2044	475,000	169,300	644,300
2045	495,000	149,900	644,900
2046	520,000	129,600	649,600
2047	545,000	108,300	653,300
2048	570,000	86,000	656,000
2049	595,000	62,700	657,700
2050	620,000	38,400	658,400
2051	650,000	13,000	663,000
	$ 10,035,000	$ 6,411,400	$ 16,446,400

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2024 Park--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ -	$ 399,375	$ 399,375
2027	210,000	392,550	602,550
2028	220,000	378,575	598,575
2029	225,000	364,113	589,113
2030	240,000	349,000	589,000
2031	250,000	333,700	583,700
2032	260,000	321,000	581,000
2033	270,000	310,400	580,400
2034	285,000	299,300	584,300
2035	295,000	287,700	582,700
2036	310,000	275,600	585,600
2037	325,000	262,900	587,900
2038	340,000	249,600	589,600
2039	355,000	235,700	590,700
2040	370,000	221,200	591,200
2041	385,000	206,100	591,100
2042	405,000	190,300	595,300
2043	420,000	173,800	593,800
2044	440,000	156,600	596,600
2045	460,000	138,600	598,600
2046	480,000	119,800	599,800
2047	505,000	100,100	605,100
2048	525,000	79,500	604,500
2049	550,000	58,000	608,000
2050	575,000	35,500	610,500
2051	600,000	12,000	612,000
	$ 9,300,000	$ 5,951,013	$ 15,251,013

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 705,000	$ 2,472,600	$ 3,177,600
2027	1,255,000	2,422,475	3,677,475
2028	1,320,000	2,353,850	3,673,850
2029	1,370,000	2,282,407	3,652,407
2030	1,440,000	2,208,088	3,648,088
2031	1,515,000	2,130,543	3,645,543
2032	1,580,000	2,058,112	3,638,112
2033	1,655,000	1,990,713	3,645,713
2034	1,735,000	1,919,681	3,654,681
2035	1,810,000	1,844,612	3,654,612
2036	1,910,000	1,765,412	3,675,412
2037	2,000,000	1,681,856	3,681,856
2038	2,095,000	1,593,737	3,688,737
2039	2,190,000	1,500,575	3,690,575
2040	2,295,000	1,402,425	3,697,425
2041	2,405,000	1,299,526	3,704,526
2042	2,520,000	1,191,651	3,711,651
2043	2,640,000	1,078,576	3,718,576
2044	2,770,000	959,951	3,729,951
2045	2,905,000	835,076	3,740,076
2046	3,040,000	703,713	3,743,713
2047	3,195,000	565,788	3,760,788
2048	3,345,000	420,607	3,765,607
2049	3,505,000	268,044	3,773,044
2050	3,000,000	124,938	3,124,938
2051	1,490,000	29,950	1,519,950
	$ 55,690,000	$ 37,104,906	$ 92,794,906

See accompanying auditor's report.

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Harris - Waller Counties Municipal Utility District No. 5
TSI-6. Change in Long-Term Bonded Debt
April 30, 2025

	Bond Issue			
	Series 2022	Series 2023	Series 2023 Road	Series 2024
Interest rate	4.00% - 5.00%	3.50% - 5.00%	5.00%	4.00% - 6.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/24 - 9/1/48	9/1/25 - 9/1/49	9/1/25 - 9/1/49	9/1/26 - 9/1/50
Beginning bonds outstanding	$ 9,215,000	$ 12,350,000	$ 11,275,000	$ -
Bonds issued				3,700,000
Bonds retired	(185,000)			
Ending bonds outstanding	$ 9,030,000	$ 12,350,000	$ 11,275,000	$ 3,700,000
Interest paid during fiscal year	$ 439,225	$ 508,175	$ 563,750	$ 67,350

Paying agent's name and city	
Series 2022	Regions Bank, Houston, Texas
All Series	BOKF, N.A., Dallas, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Water, Sewer and Drainage Refunding Bonds	Road Bonds	Road Refunding Bonds
Amount Authorized by Voters	$ 134,830,000	$ 40,449,000	$ 127,245,000	$ 38,174,000
Amount Issued	(25,265,000)		(21,310,000)	
Remaining To Be Issued	$ 109,565,000	$ 40,449,000	$ 105,935,000	$ 38,174,000

Bond Authority:	Park and Recreation Facilities Bonds	Park and Recreation Facilities Refunding Bonds
Amount Authorized by Voters	$ 49,780,000	$ 14,934,000
Amount Issued	(9,300,000)	
Remaining To Be Issued	$ 40,480,000	$ 14,934,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balance as of April 30, 2025:	$ 6,133,947
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 3,569,035

See accompanying auditor's report.

Bond Issue		
Series 2023 Road	Series 2024 Park	Totals
4.00% - 6.00%	4.00% - 6.50%	
9/1; 3/1	9/1; 3/1	
9/1/26 - 9/1/50	9/1/26 - 9/1/50	
$ -	$ -	$ 32,840,000
10,035,000	9,300,000	23,035,000
		(185,000)
$ 10,035,000	$ 9,300,000	$ 55,690,000
$ 183,417	$ 171,953	$ 1,933,870

Harris - Waller Counties Municipal Utility District No. 5
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Water service	$ 1,498,889	$ 1,259,073	$ 741,594	$ 27,381	$ -
Sewer service	861,854	642,609	351,303	9,520	
Property taxes	1,605,258	2,252,131	534,350	156,797	
Penalties and interest	61,811	45,609	31,619	1,569	
Tap connection and inspection	662,629	976,199	1,211,705	952,845	
Miscellaneous	76,336	18,735	20,441	340	
Investment earnings	115,619	47,095	8,815	93	13
Total Revenues	4,882,396	5,241,451	2,899,827	1,148,545	13
Expenditures					
Current service operations					
Purchased services				223,041	
Professional fees	150,695	166,474	86,762	95,630	155,968
Contracted services	751,516	1,009,592	1,051,560	389,411	6,000
Repairs and maintenance	241,475	322,739	173,423	20,587	
Administrative	18,906	20,010	19,372	17,364	9,904
Other	11,503	10,270	21,071	1,570	1,036
Capital outlay	255,444	1,573	207,738		
Intergovernmental					
Master District connection fees	2,419,891	1,950,052	1,354,012		
Maintenance charges	314,505	284,568	150,925		
Total Expenditures	4,163,935	3,765,278	3,064,863	747,603	172,908
Revenues Over (Under) Expenditures	$ 718,461	$ 1,476,173	$ (165,036)	$ 400,942	$ (172,895)
Total Active Retail Water Connections	1,749	1,499	1,175	614	N/A
Total Active Retail Wastewater Connections	1,705	1,461	1,147	606	N/A

*Percentage is negligible
See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
31%	24%	26%	2%	-%
18%	12%	12%	1%	-
33%	43%	18%	14%	-
1%	1%	1%	*	-
14%	19%	42%	83%	-
2%	*	1%	*	-
2%	1%	*	*	-
101%	100%	100%	100%	-
			19%	-
3%	3%	3%	8%	-
15%	19%	36%	34%	-
5%	6%	6%	2%	
*	*	1%	2%	-
*	*	1%	*	-
5%	*	7%		-
				-
50%	37%	47%		-
6%	5%	5%		-
89%	70%	106%	65%	-
12%	30%	(6%)	35%	-

Harris - Waller Counties Municipal Utility District No. 5
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Three Fiscal Years

	Amounts		
	2025	2024	2023
Revenues			
Property taxes	$ 5,512,744	$ 3,050,531	$ 387,122
Penalties and interest	92,712	22,814	7,054
Miscellaneous		109	4,217
Investment earnings	135,875	75,240	10,605
Total Revenues	5,741,331	3,148,694	408,998
Expenditures			
Tax collection services	122,279	75,726	30,311
Other	940	1,001	976
Debt service			
Principal	185,000		
Interest and fees	1,935,397	867,120	121,804
Intergovernmental			
Contractual obligations	2,624,621	2,190,329	105,715
Total Expenditures	4,868,237	3,134,176	258,806
Revenues Over Expenditures	$ 873,094	$ 14,518	$ 150,192

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues		
2025	2024	2023
96%	97%	94%
2%	1%	2%
	*	1%
2%	2%	3%
100%	100%	100%
2%	2%	7%
*	*	*
3%		
34%	28%	30%
46%	70%	26%
39%	100%	63%
61%	-	37%

Harris - Waller Counties Municipal Utility District No. 5
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2025

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027	
District Business Telephone Number:	(713) 860-6400	
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	April 17, 2025	
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)		$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Chelsea Taylor	03/24 - 05/28	$ 2,210	$ 89	President
Wes Simon	07/23 - 05/26	2,652	68	Vice President
Olga M. Strong	05/24 - 05/28	2,210	77	Secretary
Cailin Loyd	03/25 - 05/28			Assistant Vice President
Hannah Gay	04/25 - 05/26			Assistant Secretary
Richard Jenks	03/24 - 03/25	2,431	24	Former Director
Cindy Morrow	05/22 - 04/25	2,210	136	Former Director
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	2020			Attorney
General legal fees		$ 86,347		
Bond counsel		596,767		
Municipal District Services	2020	818,922		Operator
Myrtle Cruz, Inc.	2020	38,938		Bookkeeper
Bob Leared Interests	2020	27,559		Tax Collector
Waller County Appraisal District	Legislation	68,465		Property Valuation
Harris Central Appraisal District	Legislation	7,436		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2020	7,017		Delinquent Tax Attorney
Quiddity Engineering, LLC	2020	80,439		Engineer
Kimley-Horn & Associates, Inc.	2020	3,513		Landscape Architect
McGrath & Co., PLLC	2020	41,500		Auditor
R.W. Baird & Co., Inc.	2020	463,153		Financial Advisor

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

See accompanying auditor's report.

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

Forvis Mazars, LLP
2700 Post Oak Boulevard, Suite 1500
Houston, TX 77056
P 713.499.4600 | F 713.499.4699
forvismazars.us

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.

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

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

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

	2025	2024
Revenues		
Property taxes	$ 2,454,561	$ 989,694
Charges for services	1,408,007	450,122
Other revenues	1,826,277	1,538,130
Total revenues	5,688,845	2,977,946
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	1,615,760	502,851
Total expenses	14,570,142	14,760,603
Change in net position	(8,881,297)	(11,782,657)
Net position, beginning of year	(15,985,024)	(4,202,367)
Net position, end of year	$ (24,866,321)	$ (15,985,024)

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.

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)

	2025	2024
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	4,121,746	3,199,379
Total capital assets	$ 13,721,322	$ 10,860,040

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	1,019,552
Total additions to capital assets	$ 3,167,321

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	(13,635,633)
Long-term debt payable, end of year	$ 41,218,948

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 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

	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	$ 1,643,949	$ 1,006,950	$ 219,446	$ 2,870,345	$ -	$ (24,866,321)

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.

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.

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.

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.	(41,218,948)
Adjustment to fund balances to arrive at net position.	$ (27,736,666)

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

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.

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:

		Maturities in Years			
Type	**Fair Value**	**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	3,552,022
Total	$ 3,869,317

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.

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

General Obligation Bonds

	Road Series 2023	Series 2024
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

	Road Series 2024
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:

Year	Principal	Interest	Total
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	$ 16,750,000	$ 12,652,132	$ 29,402,132

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.

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.

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

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.

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

(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

X Retail Water	___ Wholesale Water	X Drainage
X Retail Wastewater	___ Wholesale Wastewater	___ Irrigation
X Parks/Recreation	___ Fire Protection	X Security
X Solid Waste/Garbage	___ Flood Control	X Roads

X 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):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
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 X No ___

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

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
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		$ 3,267,314

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			$ 3,552,022	$ -

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	3,240	-	2,160
2024 Original Tax Levy	512,398	177,916	377,182
Additions and corrections	665,825	231,189	490,121
Adjusted tax levy	1,178,223	409,105	867,303
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	$ 39,406	$ 13,473	$ 28,965
Receivable, by Years			
2024	$ 38,802	$ 13,473	$ 28,563
2023	604	-	402
Receivable, End of Year	$ 39,406	$ 13,473	$ 28,965

	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

	Road Series 2023		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1, March 1	Total
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 Principal Due September 1	Series 2024 Interest Due September 1, March 1	Total
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

Due During Fiscal Years Ending May 31	Road Series 2024 Principal Due September 1	Interest Due September 1, March 1	Total
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

	Annual Requirements For All Series		
Due During Fiscal Years Ending May 31	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	$ 16,750,000	$ 12,652,132	$ 29,402,132

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

	Bond Issues			
	Road Series 2023	Series 2024	Road Series 2024	Totals
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	$ 4,520,000	$ 3,375,000	$ 8,855,000	$ 16,750,000
Interest paid during the current year	$ 243,920	$ 72,876	$ 141,979	$ 458,775

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	$ 238,125,000	$ 64,600,000	$ 147,725,000	$ 467,200,000

Debt service fund cash and temporary investment balances as of May 31, 2025:	$ 1,038,337
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,088,968

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	1,295,152	405,228	100.0	100.0
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	1,271,220	440,680	98.2	108.8
Excess (Deficiency) of Revenues Over Expenditures	23,932	(35,452)	1.8 %	(8.8) %
Other Financing Sources				
Interfund transfers in	-	42,490		
General obligation bonds issued	610,100	365,880		
Total Other Financing Sources	610,100	408,370		
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	634,032	372,918		
Fund Balance, Beginning of Year	372,918	-		
Fund Balance, End of Year	$ 1,006,950	$ 372,918		

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.

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	Bond Counsel
		238,955	General Counsel

Investment Officers			
Mark Burton and Ghia Lewis	11/15/21	N/A	Bookkeepers

Waller County Municipal Utility District No. 35
Waller County, Texas

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

May 31, 2025

Waller County Municipal Utility District No. 35
Contents
May 31, 2025

Forvis Mazars, LLP
2700 Post Oak Boulevard, Suite 1500
Houston, TX 77056
P 713.499.4600 | F 713.499.4699
forvismazars.us

Independent Auditor's Report

Board of Directors
Waller County Municipal Utility District No. 35
Waller County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Waller County Municipal Utility District No. 35 (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 10, 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 that 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.

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

	2025	2024
Current and other assets	$ 2,518,687	$ 913,280
Capital assets	14,582,346	7,214,729
Total assets	$ 17,101,033	$ 8,128,009
Long-term liabilities	$ 36,887,285	$ 15,217,528
Other liabilities	1,233,464	575,282
Total liabilities	38,120,749	15,792,810
Net position		
Net investment in capital assets	(1,992,051)	(659,066)
Restricted	324,046	1,081
Unrestricted	(19,351,711)	(7,006,816)
Total net position	$ (21,019,716)	$ (7,664,801)

The total net position of the District decreased by $13,354,915, or about 174%. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance, as well as contractual obligation and debt service expenses. 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.

Summary of Changes in Net Position

	2025	2024
Revenues		
Property taxes	$ 1,932,248	$ 551,664
Charges for services	854,011	398,740
Other revenues	1,322,899	516,504
Total revenues	4,109,158	1,466,908
Expenses		
Services	2,554,295	1,190,403
Conveyance of capital assets	13,142,843	2,049,303
Depreciation	336,927	165,626
Purchase of capacity	34,500	-
Contractual obligation	577,865	399,993
Debt service	817,643	467,904
Total expenses	17,464,073	4,273,229
Change in net position	(13,354,915)	(2,806,321)
Net position, beginning of year	(7,664,801)	(4,858,480)
Net position, end of year	$ (21,019,716)	$ (7,664,801)

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 $1,348,632, an increase of $946,981 from the prior year.

The general fund's fund balance increased by $543,277 primarily due to tap connection and inspection fees revenues exceeding the related tap connections expenditures.

The debt service fund's fund balance increased by $304,929 primarily due to property tax revenues and proceeds received from the sales of the Series 2024 and Road Series 2024 bonds exceeding bond interest and contractual obligation expenditures.

The capital projects fund's fund balance increased by $98,775 due to proceeds received from the sales of bonds and a bond anticipation note exceeding capital outlay expenditures, repayment of a bond anticipation note, repayment of developer advances, and debt issuance costs.

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, tap connection and inspection fees revenues and related tap connections expenditures, purchased services expenditures, and interfund transfers being greater than anticipated. In addition, debt issuance costs incurred were not included in the budget. The fund balance as of May 31, 2025 was expected to be $348,836, and the actual end-of-year fund balance was $639,100.

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)

	2025	2024
Water facilities	$ 3,035,215	$ 1,465,430
Wastewater facilities	4,740,946	2,600,580
Drainage facilities	6,806,185	3,148,719
Total capital assets	$ 14,582,346	$ 7,214,729

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

Water, sewer, and drainage facilities to serve Sunterra, Sections 48, 49, 50, 55, 56, 67, 68, 70, 71, and 72	$ 7,704,544

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	$ 15,217,528
Increases in long-term debt	28,194,322
Decreases in long-term debt	(6,524,565)
Long-term debt payable, end of year	$ 36,887,285

At May 31, 2025, the District had $289,735,000 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; $125,005,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing road facilities; and $64,650,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing park and recreational facilities.

Developers of 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 applicable. At May 31, 2025, a liability for developer-constructed capital assets of $24,948,453 was recorded in the government-wide financial statements.

The District's bonds do not carry an underlying rating. The Road Series 2023 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2024 bonds and Road Series 2024 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assurance Guaranty Inc.

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 for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days of the date of annexation.

Contingencies

Developers of the District are constructing facilities 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, if applicable. The District's engineer has stated that current construction amounts are approximately $10,930,000. 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 $8,225,000 at a net effective interest rate of approximately 5.008%. The bonds were sold to redeem the Series 2024 bond anticipation note and repay the District's developers for previously completed utility construction projects within the District.

On August 14, 2025, the District also issued its Unlimited Tax Road Bonds, Series 2025 in the amount of $4,390,000 at a net effective interest rate of approximately 5.011%. The bonds were sold to repay one of the District's developers for previously completed road construction projects within the District.

Waller County Municipal Utility District No. 35
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	$ 371,103	$ 97,263	$ 420	$ 468,786	$ -	$ 468,786
Short-term investments	1,037,228	469,622	101,635	1,608,485	-	1,608,485
Receivables						
Property taxes	117,827	127,974	-	245,801	-	245,801
Service accounts	140,653	-	-	140,653	-	140,653
Accrued penalty and interest	-	-	-	-	39,962	39,962
Interfund receivable	39,614	-	-	39,614	(39,614)	-
Due from others	15,000	-	-	15,000	-	15,000
Capital assets (net of accumulated depreciation), infrastructure	-	-	-	-	14,582,346	14,582,346
Total Assets	$ 1,721,425	$ 694,859	$ 102,055	$ 2,518,339	$ 14,582,694	$ 17,101,033
Liabilities						
Accounts payable	$ 383,171	$ 982	$ 244	$ 384,397	$ -	$ 384,397
Accrued interest payable	-	-	-	-	203,758	203,758
Customer deposits	370,819	-	-	370,819	-	370,819
Unearned tap connection fees	274,490	-	-	274,490	-	274,490
Interfund payable	-	39,614	-	39,614	(39,614)	-
Long-term liabilities						
Due within one year	-	-	-	-	85,000	85,000
Due after one year	-	-	-	-	36,802,285	36,802,285
Total Liabilities	1,028,480	40,596	244	1,069,320	37,051,429	38,120,749
Deferred Inflows of Resources						
Deferred property tax revenues	53,845	46,542	-	100,387	(100,387)	-
Fund Balances/Net Position						
Fund balances						
Restricted						
Unlimited tax bonds	-	226,941	-	226,941	(226,941)	-
Unlimited tax road bonds	-	380,780	-	380,780	(380,780)	-
Water, sewer, and drainage	-	-	68,900	68,900	(68,900)	-
Roads	-	-	32,911	32,911	(32,911)	-
Unassigned	639,100	-	-	639,100	(639,100)	-
Total Fund Balances	639,100	607,721	101,811	1,348,632	(1,348,632)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,721,425	$ 694,859	$ 102,055	$ 2,518,339		
Net position						
Net investment in capital assets					(1,992,051)	(1,992,051)
Restricted for debt service					317,557	317,557
Restricted for capital projects					6,489	6,489
Unrestricted					(19,351,711)	(19,351,711)
Total net position					$ (21,019,716)	$ (21,019,716)

Waller County Municipal Utility District No. 35
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	$ 849,037	$ 986,747	$ -	$ 1,835,784	$ 96,464	$ 1,932,248
Water service	553,987	-	-	553,987	-	553,987
Sewer service	300,024	-	-	300,024	-	300,024
Penalty and interest	16,190	3,812	-	20,002	39,962	59,964
Tap connection and inspection fees	1,116,869	-	-	1,116,869	-	1,116,869
Investment income	21,466	24,602	5,498	51,566	-	51,566
Sale of capacity	34,500	-	-	34,500	-	34,500
Other income	-	-	-	-	60,000	60,000
Total Revenues	2,892,073	1,015,161	5,498	3,912,732	196,426	4,109,158
Expenditures/Expenses						
Service operations						
Purchased services	822,716	-	-	822,716	-	822,716
Professional fees	195,389	5	-	195,394	162,551	357,945
Contracted services	233,742	25,531	-	259,273	3,883	263,156
Repairs and maintenance	609,638	-	-	609,638	-	609,638
Other expenditures	44,141	4,527	90	48,758	5,460	54,218
Tap connections	446,622	-	-	446,622	-	446,622
Capital outlay	-	-	6,536,152	6,536,152	(6,536,152)	-
Conveyance of capital assets	-	-	-	-	13,142,843	13,142,843
Purchase of capacity	34,500	-	-	34,500	-	34,500
Depreciation	-	-	-	-	336,927	336,927
Debt service						
Principal retirement	-	-	510,000	510,000	(510,000)	-
Interest and fees	-	290,367	23,041	313,408	149,960	463,368
Debt issuance costs	92,875	-	261,400	354,275	-	354,275
Contractual obligation	-	577,865	-	577,865	-	577,865
Total Expenditures/Expenses	2,479,623	898,295	7,330,683	10,708,601	6,755,472	17,464,073
Excess (Deficiency) of Revenues Over Expenditures	412,450	116,866	(7,325,185)	(6,795,869)	(6,559,046)	
Other Financing Sources (Uses)						
Interfund transfers in (out)	70,827	-	(70,827)	-	-	
Repayment of developer advances	-	-	(165,500)	(165,500)	165,500	
General obligation bonds issued	-	188,063	3,366,937	3,555,000	(3,555,000)	
Discount on debt issued	-	-	(106,650)	(106,650)	106,650	
Bond anticipation note issued	-	-	4,400,000	4,400,000	(4,400,000)	
Contribution from others	60,000	-	-	60,000	(60,000)	
Total Other Financing Sources	130,827	188,063	7,423,960	7,742,850	(7,742,850)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	543,277	304,929	98,775	946,981	(946,981)	
Change in Net Position					(13,354,915)	(13,354,915)
Fund Balances/Net Position						
Beginning of year	95,823	302,792	3,036	401,651	-	(7,664,801)
End of year	$ 639,100	$ 607,721	$ 101,811	$ 1,348,632	$ -	$ (21,019,716)

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

Waller County Municipal Utility District No. 35 (District) was created by House Bill No. 3209 (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 that 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.

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 are 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. 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. 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.

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 balance 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 funds 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.

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.

Waller County assumes the maintenance and other incidents of ownership of 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.

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.	$ 14,582,346
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	100,387
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	39,962
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(203,758)
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	(36,887,285)
Adjustment to fund balances to arrive at net position.	$ (22,368,348)

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.	$ 946,981
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 conveyed capital assets, depreciation expense, and noncapitalized costs exceeded capital outlay expenditures in the current period.	(7,115,512)
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.	165,500

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.	$ 106,650
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.	(7,445,000)
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.	136,426
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.	(149,960)
Change in net position of governmental activities.	$ (13,354,915)

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.

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:

		Maturities in Years			
Type	**Fair Value**	**Less Than 1**	**1–5**	**6–10**	**More Than 10**
Texas CLASS	$ 1,608,485	$ 1,608,485	$ -	$ -	$ -

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 and 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 at May 31, 2025 as follows:

Carrying value	
Deposits	$ 468,786
Investments	1,608,485
Total	$ 2,077,271

Investment Income

Investment income of $51,566 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 $1,608,485 are valued at fair value per share of the pool's underlying portfolio.

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, depreciable			
Water production and distribution facilities	$ 1,515,038	$ 1,639,915	$ 3,154,953
Wastewater collection and treatment facilities	2,685,013	2,250,061	4,935,074
Drainage facilities	3,253,107	3,814,568	7,067,675
Total capital assets, depreciable	7,453,158	7,704,544	15,157,702
Less accumulated depreciation			
Water production and distribution facilities	(49,608)	(70,130)	(119,738)
Wastewater collection and treatment facilities	(84,433)	(109,695)	(194,128)
Drainage facilities	(104,388)	(157,102)	(261,490)
Total accumulated depreciation	(238,429)	(336,927)	(575,356)
Total governmental activities, net	$ 7,214,729	$ 7,367,617	$ 14,582,346

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the 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	$ 4,210,000	$ 3,555,000	$ -	$ 7,765,000	$ 85,000
Less discounts on bonds	123,200	106,650	3,682	226,168	-
	4,086,800	3,448,350	(3,682)	7,538,832	85,000
Bond anticipation note	510,000	4,400,000	510,000	4,400,000	-
Due to developers	10,455,228	20,345,972	5,852,747	24,948,453	-
Due to developers – advances	165,500	-	165,500	-	-
Total governmental activities long-term liabilities	$ 15,217,528	$ 28,194,322	$ 6,524,565	$ 36,887,285	$ 85,000

General Obligation Bonds

	Road Series 2023	Series 2024
Amounts outstanding, May 31, 2025	$4,210,000	$1,170,000
Interest rates	4.75% to 6.50%	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2025/2049	September 1, 2026/2050
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2030	September 1, 2030

	Road Series 2024
Amount outstanding, May 31, 2025	$2,385,000
Interest rates	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2026/2050
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:

Year	Principal	Interest	Total
2026	$ 85,000	$ 372,138	$ 457,138
2027	160,000	364,280	524,280
2028	170,000	353,557	523,557
2029	180,000	342,419	522,419
2030	190,000	330,882	520,882
2031–2035	1,105,000	1,485,005	2,590,005
2036–2040	1,430,000	1,170,506	2,600,506
2041–2045	1,850,000	797,613	2,647,613
2046–2050	2,360,000	328,466	2,688,466
2051	235,000	4,800	239,800
Total	$ 7,765,000	$ 5,549,666	$ 13,314,666

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

Bonds voted	
Water, sanitary sewer, and drainage facilities	$ 290,905,000
Park and recreational facilities	64,650,000
Road facilities	131,600,000
Bonds sold	
Water, sanitary sewer, and drainage facilities	1,710,000
Road facilities	6,595,000
Refunding bonds voted	
Water, sanitary sewer, and drainage facilities	290,905,000
Park and recreational facilities	64,650,000
Road facilities	131,600,000

Bond Anticipation Note

On December 16, 2024, the District issued its Bond Anticipation Note, Series 2024 in the amount of $4,400,000. 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. 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.

Due to Developers

Developers of 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 applicable. At May 31, 2025, a liability for developer-constructed capital assets of $24,948,453 was recorded in the government-wide financial statements.

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 of $0.2800 per $100 of assessed valuation, which resulted in a tax levy of $324,031 on the taxable valuation of $115,725,237 for the 2024 tax year. The interest requirements on utility bonds to be paid from the tax revenues and available resources are $51,868, of which $25,193 has been paid and $26,675 is due September 1, 2025. The principal and interest requirements on road bonds to be paid from the tax revenues and available resources are $403,433, of which $242,721 has been paid and $160,722 is due September 1, 2025.

(B) During the current year, the District transferred $70,827 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, portions 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.

Bond interest reserve, beginning of year	$ 274,464
Additions – Interest appropriated from bond proceeds	
Series 2024	80,025
Road Series 2024	108,038
	188,063
Deductions – Appropriation from bond interest paid	
Road Series 2023	213,406
Series 2024	25,193
Road Series 2024	51,018
	289,617
Bond interest reserve, end of year	$ 172,910

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 $0.6600 per $100 of assessed valuation, which resulted in a tax levy of $763,787 on the taxable valuation of $115,725,237 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 $0.5600 per $100 of assessed valuation, which resulted in a tax levy of $648,061 on the taxable valuation of $115,725,237 for the 2024 tax year. This 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 fiscal year ended May 31, 2025, the District incurred fees in the amount of $822,716 related to the Contract.

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 $577,865 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 that exceeded coverage amounts in the past three fiscal years.

Note 10. Contingencies

Developers of the District are constructing facilities 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, if applicable. The District's engineer has stated that current construction amounts are approximately $10,930,000. 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 $8,225,000 at a net effective interest rate of approximately 5.008%. The bonds were sold to redeem the Series 2024 bond anticipation note and repay the District's developers for previously completed utility construction projects within the District.

On August 14, 2025, the District also issued its Unlimited Tax Road Bonds, Series 2025 in the amount of $4,390,000 at a net effective interest rate of approximately 5.011%. The bonds were sold to repay one of the District's developers for previously completed road construction projects within the District.

Required Supplementary Information

Waller County Municipal Utility District No. 35
Budgetary Comparison Schedule – General Fund
Year Ended May 31, 2025

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	$ 250,000	$ 678,526	$ 849,037	$ 170,511
Water service	249,700	508,700	553,987	45,287
Sewer service	137,000	300,000	300,024	24
Penalty and interest	16,700	16,700	16,190	(510)
Tap connection and inspection fees	467,100	467,100	1,116,869	649,769
Investment income	8,900	8,900	21,466	12,566
Sale of capacity	-	-	34,500	34,500
Total Revenues	1,129,400	1,979,926	2,892,073	912,147
Expenditures				
Service operations				
Purchased services	337,500	600,000	822,716	(222,716)
Professional fees	151,000	151,000	195,389	(44,389)
Contracted services	178,800	233,000	233,742	(742)
Repairs and maintenance	275,900	601,900	609,638	(7,738)
Other expenditures	46,540	46,540	44,141	2,399
Tap connections	157,000	157,000	446,622	(289,622)
Purchase of capacity	-	-	34,500	(34,500)
Debt service, debt issuance costs	-	-	92,875	(92,875)
Total Expenditures	1,146,740	1,789,440	2,479,623	(690,183)
Excess (Deficiency) of Revenues Over Expenditures	(17,340)	190,486	412,450	221,964
Other Financing Sources				
Interfund transfers in	-	2,527	70,827	68,300
Proceeds from other governmental entity	60,000	60,000	60,000	-
Total Other Financing Sources	60,000	62,527	130,827	68,300
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	42,660	253,013	543,277	290,264
Fund Balance, Beginning of Year	95,823	95,823	95,823	-
Fund Balance, End of Year	$ 138,483	$ 348,836	$ 639,100	$ 290,264

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

(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 10–21

[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

Waller County Municipal Utility District No. 35
Schedule of Services and Rates
Year Ended May 31, 2025

1. Services to be provided by the District

X Retail Water	___ Wholesale Water	X Drainage
X Retail Wastewater	___ Wholesale Wastewater	___ Irrigation
X Parks/Recreation	___ Fire Protection	X Security
X Solid Waste/Garbage	___ Flood Control	X Roads

X 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):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
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 X

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

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	942	926	x1.0	926
1"	1	1	x2.5	3
1 1/2"	4	4	x5.0	20
2"	15	15	x8.0	120
3"	-	-	x15.0	-
4"	1	1	x25.0	25
6"	1	1	x50.0	50
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	964	948		1,144
Total wastewater	942	926	x1.0	926

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

Gallons pumped into the system:	72,076
Gallons billed to customers:	72,076
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Waller County Municipal Utility District No. 35
Schedule of General Fund Expenditures
Year Ended May 31, 2025

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 17,000	
Legal	112,554	
Engineering	65,835	
Financial advisor	-	195,389
Purchased Services for Resale		
Bulk water and wastewater service purchases		822,716
Regional Water Fee		-
Contracted Services		
Bookkeeping	51,930	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	55,121	
Other contracted services	23,190	130,241
Utilities		-
Repairs and Maintenance		609,638
Administrative Expenditures		
Directors' fees	9,503	
Office supplies	7,563	
Insurance	5,035	
Other administrative expenditures	22,040	44,141
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	-	-
Tap Connection Expenditures		446,622
Solid Waste Disposal		103,501
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		127,375
Total Expenditures		$ 2,479,623

Waller County Municipal Utility District No. 35
Schedule of Temporary Investments
May 31, 2025

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Texas CLASS	4.42%	Demand	$ 1,037,228	$ -
Debt Service Fund				
Texas CLASS	4.42%	Demand	57,282	-
Texas CLASS	4.42%	Demand	380,780	-
Texas CLASS	4.42%	Demand	31,560	-
			469,622	-
Capital Projects Fund				
Texas CLASS	4.42%	Demand	61,123	-
Texas CLASS	4.42%	Demand	32,911	-
Texas CLASS	4.42%	Demand	7,601	-
			101,635	-
Totals			$ 1,608,485	$ -

Waller County Municipal Utility District No. 35
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2025

	Maintenance Taxes	Contract Taxes	Road Debt Service Taxes
Receivable, Beginning of Year	$ 1,595	$ 2,328	$ -
Additions and corrections to prior years' taxes	137,500	58,869	-
Adjusted Receivable, Beginning of Year	139,095	61,197	-
2024 Original Tax Levy	692,374	587,468	293,734
Additions and corrections	71,413	60,593	30,297
Adjusted tax levy	763,787	648,061	324,031
Total to Be Accounted For	902,882	709,258	324,031
Tax collections: Current year	(672,622)	(570,710)	(285,355)
Prior years	(112,433)	(49,250)	-
Receivable, End of Year	$ 117,827	$ 89,298	$ 38,676
Receivable, by Year			
2024	$ 91,165	$ 77,351	$ 38,676
2023	8,187	11,947	-
2022	18,475	-	-
Receivable, End of Year	$ 117,827	$ 89,298	$ 38,676

	2024	2023	2022
Property Valuations			
Land	$ 63,658,955	$ 56,928,955	$ 34,232,328
Improvements	57,678,292	-	-
Personal property	78,670	256,370	65,120
Exemptions	(5,690,680)	(20,407,659)	(22,287,380)
Total Property Valuations	$ 115,725,237	$ 36,777,666	$ 12,010,068
Tax Rates Per $100 Valuation			
Debt service tax rates	$ 0.2800	$ -	$ -
Contract tax rates	0.5600	0.8900	-
Maintenance tax rates*	0.6600	0.6100	1.5000
Total Tax Rates Per $100 Valuation	$ 1.5000	$ 1.5000	$ 1.5000
Tax Levy	$ 1,735,879	$ 551,665	$ 180,151
Percent of Taxes Collected to Taxes Levied**	88%	97%	94%

*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.

Waller County Municipal Utility District No. 35
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025

	Road Series 2023		
Due During Fiscal Years Ending May 31	**Principal Due September 1**	**Interest Due September 1, March 1**	**Total**
2026	$ 85,000	$ 210,750	$ 295,750
2027	85,000	205,331	290,331
2028	90,000	199,644	289,644
2029	95,000	193,869	288,869
2030	100,000	188,019	288,019
2031	105,000	182,393	287,393
2032	115,000	176,894	291,894
2033	120,000	171,018	291,018
2034	125,000	164,895	289,895
2035	135,000	158,393	293,393
2036	140,000	151,519	291,519
2037	150,000	144,268	294,268
2038	155,000	136,644	291,644
2039	165,000	128,644	293,644
2040	175,000	120,143	295,143
2041	185,000	111,144	296,144
2042	195,000	101,888	296,888
2043	205,000	92,388	297,388
2044	215,000	82,412	297,412
2045	230,000	71,844	301,844
2046	240,000	60,531	300,531
2047	255,000	48,466	303,466
2048	270,000	35,500	305,500
2049	280,000	21,750	301,750
2050	295,000	7,375	302,375
Totals	$ 4,210,000	$ 3,165,722	$ 7,375,722

Due During Fiscal Years Ending May 31	Series 2024 Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ -	$ 53,350	$ 53,350
2027	25,000	52,537	77,537
2028	25,000	50,913	75,913
2029	30,000	49,125	79,125
2030	30,000	47,175	77,175
2031	30,000	45,225	75,225
2032	30,000	43,275	73,275
2033	35,000	41,425	76,425
2034	35,000	39,675	74,675
2035	35,000	37,925	72,925
2036	40,000	36,050	76,050
2037	40,000	34,050	74,050
2038	45,000	31,925	76,925
2039	45,000	29,900	74,900
2040	45,000	28,100	73,100
2041	50,000	26,200	76,200
2042	50,000	24,200	74,200
2043	55,000	22,100	77,100
2044	55,000	19,900	74,900
2045	60,000	17,600	77,600
2046	60,000	15,200	75,200
2047	65,000	12,700	77,700
2048	65,000	10,100	75,100
2049	70,000	7,400	77,400
2050	75,000	4,500	79,500
2051	75,000	1,500	76,500
Totals	$ 1,170,000	$ 782,050	$ 1,952,050

	Road Series 2024		
Due During Fiscal Years Ending May 31	**Principal Due September 1**	**Interest Due September 1, March 1**	**Total**
2026	$ -	$ 108,038	$ 108,038
2027	50,000	106,412	156,412
2028	55,000	103,000	158,000
2029	55,000	99,425	154,425
2030	60,000	95,688	155,688
2031	60,000	91,787	151,787
2032	65,000	88,213	153,213
2033	70,000	84,837	154,837
2034	70,000	81,338	151,338
2035	75,000	77,712	152,712
2036	80,000	73,838	153,838
2037	80,000	69,837	149,837
2038	85,000	65,713	150,713
2039	90,000	61,787	151,787
2040	95,000	58,088	153,088
2041	100,000	54,187	154,187
2042	105,000	50,088	155,088
2043	110,000	45,787	155,787
2044	115,000	41,288	156,288
2045	120,000	36,587	156,587
2046	125,000	31,688	156,688
2047	130,000	26,587	156,587
2048	135,000	21,288	156,288
2049	145,000	15,687	160,687
2050	150,000	9,694	159,694
2051	160,000	3,300	163,300
Totals	$ 2,385,000	$ 1,601,894	$ 3,986,894

Waller County Municipal Utility District No. 35
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	$ 85,000	$ 372,138	$ 457,138
2027	160,000	364,280	524,280
2028	170,000	353,557	523,557
2029	180,000	342,419	522,419
2030	190,000	330,882	520,882
2031	195,000	319,405	514,405
2032	210,000	308,382	518,382
2033	225,000	297,280	522,280
2034	230,000	285,908	515,908
2035	245,000	274,030	519,030
2036	260,000	261,407	521,407
2037	270,000	248,155	518,155
2038	285,000	234,282	519,282
2039	300,000	220,331	520,331
2040	315,000	206,331	521,331
2041	335,000	191,531	526,531
2042	350,000	176,176	526,176
2043	370,000	160,275	530,275
2044	385,000	143,600	528,600
2045	410,000	126,031	536,031
2046	425,000	107,419	532,419
2047	450,000	87,753	537,753
2048	470,000	66,888	536,888
2049	495,000	44,837	539,837
2050	520,000	21,569	541,569
2051	235,000	4,800	239,800
Totals	$ 7,765,000	$ 5,549,666	$ 13,314,666

Waller County Municipal Utility District No. 35
Changes in Long-Term Bonded Debt
Year Ended May 31, 2025

	Bond Issues			
	Road Series 2023	**Series 2024**	**Road Series 2024**	**Totals**
Interest rates	4.75% to 6.50%	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, 2025/2049	September 1, 2026/2050	September 1, 2026/2050	
Bonds outstanding, beginning of current year	$ 4,210,000	$ -	$ -	$ 4,210,000
Bonds sold during the current year	-	1,170,000	2,385,000	3,555,000
Bonds outstanding, end of current year	$ 4,210,000	$ 1,170,000	$ 2,385,000	$ 7,765,000
Interest paid during the current year	$ 213,406	$ 25,193	$ 51,018	$ 289,617

Paying agent's name and address

Series 2023 Rd – 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
Series 2024 Rd – 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	$ 290,905,000	$ 64,650,000	$ 131,600,000	$ 487,155,000
Amount issued	$ 1,170,000	$ -	$ 6,595,000	$ -
Remaining to be issued	$ 289,735,000	$ 64,650,000	$ 125,005,000	$ 487,155,000

Debt service fund cash and temporary investment balances as of May 31, 2025:	$ 566,885
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 512,103

Waller County Municipal Utility District No. 35
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	$ 849,037	$ 222,816	$ 180,083	$ -
Water service	553,987	255,096	21,688	-
Sewer service	300,024	143,644	75,049	-
Penalty and interest	16,190	15,140	84	-
Tap connection and inspection fees	1,116,869	421,123	267,960	-
Investment income	21,466	7,360	190	-
Sale of capacity	34,500	-	-	-
Other income	-	-	42,702	-
Total Revenues	2,892,073	1,065,179	587,756	-
Expenditures				
Service operations				
Purchased services	822,716	344,218	41,658	-
Professional fees	195,389	172,924	123,549	70,833
Contracted services	233,742	126,370	36,349	7,356
Repairs and maintenance	609,638	270,526	36,532	-
Other expenditures	44,141	42,078	29,393	27,196
Tap connections	446,622	157,397	100,100	-
Debt service	34,500	-	-	-
Debt issuance costs	92,875	63,500	-	-
Contractual obligation	-	77,702	58,024	-
Total Expenditures	2,479,623	1,254,715	425,605	105,385
Excess (Deficiency) of Revenues Over Expenditures	412,450	(189,536)	162,151	(105,385)
Other Financing Sources (Uses)				
Interfund transfers in (out)	70,827	(32,407)	-	-
Developer advances received	-	-	104,000	87,000
Contribution from others	60,000	60,000	10,000	-
Total Other Financing Sources	130,827	27,593	114,000	87,000
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	543,277	(161,943)	276,151	(18,385)
Fund Balance (Deficit), Beginning of Period	95,823	257,766	(18,385)	-
Fund Balance (Deficit), End of Period	$ 639,100	$ 95,823	$ 257,766	$ (18,385)
Total Active Retail Water Connections	948	419	180	N/A
Total Active Retail Wastewater Connections	926	414	180	N/A

*Percentages not meaningful
**Period from inception (June 10, 2019) through May 31, 2022

Percent of Fund Total Revenues				
2025	2024	2023	2022	
29.4 %	20.9 %	30.6 %	*	%
19.1	24.0	3.7	*	
10.4	13.5	12.8	*	
0.6	1.4	-	*	
38.6	39.5	45.6	*	
0.7	0.7	0.0	*	
1.2	-	-	*	
-	-	7.3	*	
100.0	100.0	100.0	*	
28.4	32.3	7.1	*	
6.8	16.2	21.0	*	
8.1	11.9	6.2	*	
21.1	25.4	6.2	*	
1.5	3.9	5.0	*	
15.4	14.8	17.0	*	
1.2	-	-	*	
3.2	6.0	-	*	
-	7.3	9.9	*	
85.7	117.8	72.4	*	
14.3 %	(17.8) %	27.6 %	*	%

Waller County Municipal Utility District No. 35
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	$ 986,747	$ 324,993	97.2 %	96.5 %
Penalty and interest	3,812	381	0.4	0.1
Investment income	24,602	11,170	2.4	3.3
Other income	-	224	-	0.1
Total Revenues	1,015,161	336,768	100.0	100.0
Expenditures				
Current				
Professional fees	5	-	0.0	-
Contracted services	25,531	14,282	2.5	4.2
Other expenditures	4,527	4,274	0.5	1.3
Debt service				
Interest and fees	290,367	45,645	28.6	13.6
Contractual obligation	577,865	322,291	56.9	95.7
Total Expenditures	898,295	386,492	88.5	114.8
Excess (Deficiency) of Revenues Over Expenditures	116,866	(49,724)	11.5 %	(14.8) %
Other Financing Sources				
Interfund transfers in	-	32,407		
General obligation bonds issued	188,063	320,109		
Total Other Financing Sources	188,063	352,516		
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	304,929	302,792		
Fund Balance, Beginning of Year	302,792	-		
Fund Balance, End of Year	$ 607,721	$ 302,792		

Complete District mailing address:	Waller County Municipal Utility District No. 35 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 15, 2024
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
Victoria A. Battistini	Elected 05/24–05/28	$ 2,210	$ 342	President
Ryan C. Ward	Elected 05/24–05/28	884	11	Vice President
Jaclyn Day	Elected 05/22–05/26	1,989	271	Secretary
Daniel C. Feiler	Elected 05/24–05/28	2,431	150	Assistant Secretary
Tiffani Walker	Appointed 09/22–05/26	1,989	245	Assistant Secretary

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

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bob Leared Interests	08/08/22	$ 17,247	Tax Assessor/ Collector
Forvis Mazars, LLP	08/08/22	40,500	Auditor
Municipal Accounts & Consulting, L.P.	08/10/21	66,488	Bookkeeper
Municipal District Services, L.L.C.	04/11/22	966,613	Operator
Quiddity Engineering, LLC	08/10/21	164,924	Engineer
Robert W. Baird & Co. Incorporated	08/10/21	117,532	Financial Advisor
Schwartz, Page & Harding, L.L.P.	08/10/21	227,667 110,391	General Counsel Bond Counsel
Waller County Appraisal District	Legislative Action	16,606	Appraiser
Investment Officers			
Mark Burton and Ghia Lewis	12/13/21	N/A	Bookkeepers

WALLER COUNTY MUNICIPAL UTILITY DISTRICT NO. 37

WALLER COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2025

Table of Contents

McGRATH & CO., PLLC
Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Waller County Municipal Utility District No. 37
Waller County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Waller County Municipal Utility District No. 37 (the "District"), as of and for the year ended April 30, 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 Waller County Municipal Utility District No. 37, as of April 30, 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. 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the District implemented GASB Implementation Guide 2021-1, Question 5.1 during the current fiscal year. Our opinion is 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.

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
Waller County Municipal Utility District No. 37
Waller County, Texas

Required Supplementary Information

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

Supplementary Information

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

McGrath & Co, PLLC

Houston, Texas
August 14, 2025

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Waller County Municipal Utility District No. 37 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at April 30, 2025, was negative $16,523,430. This amount is negative primarily because the District incurs debt to construct public roads which it conveys to the Waller County. A comparative summary of the District's overall financial position, as of April 30, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	$ 4,841,666	$ 1,946,547
Capital assets	21,118,713	19,661,288
Total assets	25,960,379	21,607,835
Current liabilities	4,601,845	6,907,276
Long-term liabilities	37,881,964	27,102,426
Total liabilities	42,483,809	34,009,702
Net position		
Net investment in capital assets	(5,694,038)	(2,790,033)
Restricted	1,839,834	390,010
Unrestricted	(12,669,226)	(10,001,844)
Total net position	$ (16,523,430)	$ (12,401,867)

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of a group of individual assets that are below the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. In accordance with this standard, the District recognized, as infrastructure capital assets, water meters that were previously expensed in prior fiscal years, net of related accumulated depreciation, as of the beginning of the current fiscal year. Prior year data has not been restated to include values for these infrastructure assets and, as a result, the presentation of prior year data as it relates to these assets is not consistent with the current year presentation (see Notes 3 and 6).

The total net position of the District decreased during the current fiscal year by $4,698,095. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Property taxes, penalties and interest	$ 4,118,632	$ 1,445,487
Water and sewer service	1,400,380	789,041
Other	671,736	1,429,149
Total revenues	6,190,748	3,663,677
Expenses		
Current service operations	996,608	1,365,757
Debt interest and fees	1,191,029	448,903
Developer interest	1,184,943	563,150
Debt issuance costs	1,618,916	983,014
Intergovernmental	3,195,266	1,771,246
Depreciation	776,781	634,099
Total expenses	8,963,543	5,766,169
Change in net position before other item	(2,772,795)	(2,102,492)
Other item		
Transfers to other governments	(1,925,300)	(1,229,616)
Change in net position	(4,698,095)	(3,332,108)
Net position, beginning of year (2025 restated)	(11,825,335)	(9,069,759)
Net position, end of year	$ (16,523,430)	$ (12,401,867)

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year and, as a result, has restated its beginning net position for the current fiscal year. Prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2025, were $3,807,161, which consists of $1,117,241 in the General Fund, $2,053,646 in the Debt Service Fund, and $636,274 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 2,083,812	$ 1,327,307
Total liabilities	$ 945,099	$ 562,984
Total deferred inflows	21,472	11,360
Total fund balance	1,117,241	752,963
Total liabilities, deferred inflows and fund balance	$ 2,083,812	$ 1,327,307

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

	2025	2024
Total revenues	$ 3,176,703	$ 3,019,690
Total expenditures	(2,807,425)	(2,443,860)
Revenues over expenditures	369,278	575,830
Other changes in fund balance	(5,000)	61,000
Net change in fund balance	$ 364,278	$ 636,830

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

During the current fiscal year, the General Fund transferred $5,000 to the Capital Projects Fund to fund the remaining developer reimbursements and professional fees not covered by the Series 2024 Road Bonds proceeds. During the prior fiscal year, the Capital Projects Fund transferred $61,000 to the General Fund to reimburse bond application costs incurred in the prior fiscal year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of April 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 2,121,580	$ 609,302
Total liabilities	$ 6,283	$ -
Total deferred inflows	61,651	10,380
Total fund balance	2,053,646	598,922
Total liabilities, deferred inflows and fund balance	$ 2,121,580	$ 609,302

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

	2025	2024
Total revenues	$ 2,946,249	$ 616,267
Total expenditures	(2,302,413)	(770,261)
Revenues over/(under) expenditures	643,836	(153,994)
Other changes in fund balance	810,888	752,916
Net change in fund balance	$ 1,454,724	$ 598,922

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of April 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 636,274	$ 9,938
Total fund balance	$ 636,274	$ 9,938

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

	2025	2024
Total revenues	$ 6,411	$ 5,995
Total expenditures	(14,969,187)	(13,146,634)
Revenues under expenditures	(14,962,776)	(13,140,639)
Other changes in fund balance	15,589,112	13,132,334
Net change in fund balance	$ 626,336	$ (8,305)

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2024 Unlimited Tax Bonds, Series 2024 Unlimited Tax Road Bonds and Series 2024 Bond Anticipation Note in the current fiscal year and proceeds from the issuance of its Series 2023 Unlimited Tax Bonds, Series 2023 Unlimited Tax Road Bonds and Series 2023 Bond Anticipation Note in the prior fiscal year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $101,818 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at April 30, 2025 and 2024, are summarized as follows:

	2025	2024
Capital assets being depreciated		
Infrastructure	$ 17,373,253	$ 15,894,099
Landscape improvements	5,574,588	4,734,898
	22,947,841	20,628,997
Less accumulated depreciation		
Infrastructure	(1,313,653)	(730,964)
Landscape improvements	(515,475)	(236,745)
	(1,829,128)	(967,709)
Capital assets, net	$ 21,118,713	$ 19,661,288

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year. As a result, prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

Capital asset additions during the current fiscal year include the following:

- Hardscape, landscape and irrigation to serve Sunterra Sections 31 and 32
- Water meters

Additionally, Waller County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed. For the year ended April 30, 2025, capital assets in the amount of $1,925,300 have been recorded as transfers to other governments in the government-wide statements. Additional information is present in Note 11.

Long-Term Debt and Related Liabilities

As of April 30, 2025, the District owes approximately $8,756,964 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At April 30, 2025 and 2024, the District had total bonded debt outstanding as shown below:

Series	2025	2024
2023	$ 4,195,000	$ 4,195,000
2023 Road	5,785,000	5,785,000
2024	11,650,000	
2024 Road	7,705,000	
	$ 29,335,000	$ 9,980,000

During the current fiscal year, the District issued $11,650,000 in unlimited tax bonds and $7,705,000 in unlimited tax road bonds. At April 30, 2025, the District had $106,915,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $36,828,000 for the refunding of such bonds; $40,545,000 for parks and recreational facilities and $12,164,000 for the refunding of such bonds; and $103,655,000 for road improvements and $35,144,000 for the refunding of such bonds.

Additionally, during the current fiscal year, the District issued a $3,165,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 7 for additional information.

Property Taxes

The District's property tax base increased approximately $107,994,000 for the 2025 tax year from $271,728,926 to $379,722,760, based on certified values. This increase was primarily due to new construction in the District.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2025 Actual	2026 Budget
Total revenues	$ 3,176,703	$ 2,769,450
Total expenditures	(2,807,425)	(2,203,011)
Revenues over expenditures	369,278	566,439
Other changes in fund balance	(5,000)	
Net change in fund balance	364,278	566,439
Beginning fund balance	752,963	1,117,241
Ending fund balance	$ 1,117,241	$ 1,683,680

Basic Financial Statements

Waller County Municipal Utility District No. 37
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	$ 324,759	$ 85,523	$ 651,741	$ 1,062,023
Investments	1,424,574	2,003,085	63,923	3,491,582
Taxes receivable	21,472	61,651		83,123
Customer service receivables	144,152			144,152
Internal balances	108,069	(28,679)	(79,390)	
Builder damages receivable	58,762			58,762
Prepaid items	2,024			2,024
Capital assets, net				
Total Assets	$ 2,083,812	$ 2,121,580	$ 636,274	$ 4,841,666
Liabilities				
Accounts payable	$ 545,435	$ -	$ -	$ 545,435
Other payables	2,273	6,283		8,556
Customer deposits	360,531			360,531
Builder deposits	20,100			20,100
Unearned revenue	16,760			16,760
Accrued interest payable				
Bond anticipation note payable				
Due to developers				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	945,099	6,283		951,382
Deferred Inflows of Resources				
Deferred property taxes	21,472	61,651		83,123
Fund Balances/Net Position				
Fund Balances				
Nonspendable	2,024			2,024
Restricted		2,053,646	636,274	2,689,920
Unassigned	1,115,217			1,115,217
Total Fund Balances	1,117,241	2,053,646	636,274	3,807,161
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,083,812	$ 2,121,580	$ 636,274	$ 4,841,666
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

Adjustments	Statement of Net Position
$ -	$ 1,062,023
	3,491,582
	83,123
	144,152
	58,762
	2,024
21,118,713	21,118,713
21,118,713	25,960,379
	545,435
	8,556
	360,531
	20,100
	16,760
275,463	275,463
3,165,000	3,165,000
8,756,964	8,756,964
210,000	210,000
29,125,000	29,125,000
41,532,427	42,483,809
(83,123)	
(2,024)	
(2,689,920)	
(1,115,217)	
(3,807,161)	
(5,694,038)	(5,694,038)
1,839,834	1,839,834
(12,669,226)	(12,669,226)
$ (16,523,430)	$ (16,523,430)

Waller County Municipal Utility District No. 37
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Water service	$ 884,011	$ -	$ -	$ 884,011
Sewer service	516,369			516,369
Property taxes	1,155,153	2,859,785		4,014,938
Penalties and interest	26,481	15,828		42,309
Tap connection and inspection	506,102			506,102
Miscellaneous	47,471	10		47,481
Investment earnings	41,116	70,626	6,411	118,153
Total Revenues	3,176,703	2,946,249	6,411	6,129,363
Expenditures/Expenses				
Current service operations				
Professional fees	125,355	1,835	128,931	256,121
Contracted services	467,408	54,122		521,530
Repairs and maintenance	182,905			182,905
Administrative	25,911	9,018		34,929
Other	163		960	1,123
Capital outlay	188,409		11,760,027	11,948,436
Debt service				
Interest and fees		859,446	275,410	1,134,856
Developer interest			1,184,943	1,184,943
Debt issuance costs			1,618,916	1,618,916
Intergovernmental				
Master District connection fees	1,527,657			1,527,657
Maintanence charges	289,617			289,617
Contractual obligations		1,377,992		1,377,992
Depreciation				
Total Expenditures/Expenses	2,807,425	2,302,413	14,969,187	20,079,025
Revenues Over/(Under) Expenditures/Expenses	369,278	643,836	(14,962,776)	(13,949,662)
Other Financing Sources/(Uses)				
Proceeds from sale of bonds		810,888	18,544,112	19,355,000
Proceeds from bond anticipation note			3,165,000	3,165,000
Repayment of bond anticipation note			(6,125,000)	(6,125,000)
Internal transfers	(5,000)		5,000	
Other Items				
Transfers to other governments				
Net Change in Fund Balances	364,278	1,454,724	626,336	2,445,338
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year, as reported	752,963	598,922	9,938	1,361,823
Change due to new accounting guidance (See Note 3)				
Beginning of the year, as restated	752,963	598,922	9,938	1,361,823
End of the year	$ 1,117,241	$ 2,053,646	$ 636,274	$ 3,807,161

See notes to basic financial statements.

Adjustments	Statement of Activities
$ -	$ 884,011
	516,369
55,308	4,070,246
6,077	48,386
	506,102
	47,481
	118,153
61,385	6,190,748
	256,121
	521,530
	182,905
	34,929
	1,123
(11,948,436)	
56,173	1,191,029
	1,184,943
	1,618,916
	1,527,657
	289,617
	1,377,992
776,781	776,781
(11,115,482)	8,963,543
11,176,867	(2,772,795)
(19,355,000)	
(3,165,000)	
6,125,000	
(1,925,300)	(1,925,300)
(2,445,338)	
(4,698,095)	(4,698,095)
(13,763,690)	(12,401,867)
576,532	576,532
(13,187,158)	(11,825,335)
$ (20,907,123)	$ (16,523,430)

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Waller County Municipal Utility District No. 37 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant the House Bill No. 4520, 86th Session of the Texas Legislature, Regular Session, codified as Chapter 8047, Texas Special District Local Law Code (The "Act"), effective May 3, 2019, and operates in accordance with Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution, and the Texas Water Code, Chapters 49 and 54. On July 30, 2020 the voters of the District approved a proposition dividing the District into three districts: the District, Harris - Waller Counties Municipal Utility District No. 4 ("MUD 4") and Harris-Waller Counties Municipal Utility District No. 5 ("MUD 5"). The Board of Directors held its first meeting on August 11, 2020, and the first bonds were issued on August 15, 2023.

The District's primary activities include construction, maintenance and operation of water, sewer, drainage, and park and recreational facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll, or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities.*

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. During the current fiscal year, financial resources also included capitalized interest from the sale of bonds. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage and road and park and recreational facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At April 30, 2025, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	10-40 years
Landscape improvements	20 years

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service and capitalized interest from the sale of bonds in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to the Waller County and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		$ 3,807,161
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 22,947,841	
Less accumulated depreciation	(1,829,128)	
		21,118,713
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(275,463)	
Due to developers	(8,756,964)	
Bond anticipation note payable	(3,165,000)	
Bonds payable	(29,335,000)	
		(41,532,427)
Deferred inflows in the fund statements consist of property taxes receivable and related penalties and interest that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		83,123
Total net position - governmental activities		$ (16,523,430)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds		$ 2,445,338
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.		61,385
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	$ 11,948,436	
Transfers to other governments	(1,925,300)	
Depreciation expense	(776,781)	
		9,246,355
Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Issuance of long-term debt	(19,355,000)	
Issuance of bond anticipation note	(3,165,000)	
Repayment of bond anticipation note	6,125,000	
Interest expense accrual	(56,173)	
		(16,451,173)
Change in net position of governmental activities		$ (4,698,095)

Note 3 – Implementation of New Accounting Guidance

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District's acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government-wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position.*

GASBIG 2021-1, Question 5.1 is required to be retroactively implemented, which means the District is required to record the acquisition of water meters that were expensed in previous fiscal years as infrastructure capital assets and to record the related accumulated depreciation at the beginning of the current fiscal year. Accordingly, the District has recorded a restatement to recognize $576,532 in depreciable capital assets, which were measured at net book value (i.e., cost less accumulated depreciation) as of the beginning of the current fiscal year and increased its beginning net position by the same amount. Prior year amounts in the Management's Discussion and Analysis and supplementary schedules were not restated.

Note 4 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of April 30, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	$ 1,424,574		
	Debt Service	2,003,085		
	Capital Projects	63,923		
Total		$ 3,491,582	AAAm	40 days

TexSTAR

The Texas Short Term Asset Reserve fund ("TexSTAR") is managed by Hilltop Securities, and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 5 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2025, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 28,679	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	79,390	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

During the current fiscal year, the General Fund transferred $5,000 to the Capital Projects Fund to fund the remaining developer reimbursements and professional fees not covered by the Series 2024 Road Bonds proceeds.

Note 6 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2025, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets being depreciated			
Infrastructure	$ 16,555,269	$ 817,984	$ 17,373,253
Lanscaping improvements	4,734,898	839,690	5,574,588
	21,290,167	1,657,674	22,947,841
Less accumulated depreciation			
Infrastructure	(815,602)	(498,051)	(1,313,653)
Landscaping improvements	(236,745)	(278,730)	(515,475)
	(1,052,347)	(776,781)	(1,829,128)
Capital assets, net	$ 20,237,820	$ 880,893	$ 21,118,713

Depreciation expense for the current fiscal year was $776,781.

As discussed in Note 3, the District recorded a restatement to capitalize the acquisition of certain capital assets and accumulated depreciation at the beginning of the current fiscal year. In previous years, these costs were expensed. As a result, beginning balances for infrastructure capital assets in the current fiscal year are not consistent with prior year data.

Note 7 – Bond Anticipation Note

The District uses a bond anticipation note ("BAN") to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of $6,125,000. This BAN was repaid on September 12, 2024, with proceeds from the issuance of the District's Series 2024 Unlimited Tax Bonds.

On December 19, 2024, the District issued a $3,165,000 BAN with an interest rate of 4.95%, which is due on December 18, 2025.

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

Beginning balance	$ 6,125,000
Amounts borrowed	3,165,000
Amounts repaid	(6,125,000)
Ending balance	$ 3,165,000

Note 8 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will construct facilities on behalf of the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developers are reimbursed.

Changes in the estimated amounts due to developers during the fiscal year are as follows:

Due to developers, beginning of year	$ 17,122,426
Developer reimbursements	(11,760,027)
Developer funded construction and adjustments	3,394,565
Due to developers, end of year	$ 8,756,964

Note 9 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 29,335,000
Due within one year	$ 210,000

The District's bonds payable at April 30, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2023	$ 4,195,000	$ 4,195,000	4.00% - 6.50%	September 1, 2025/2049	September 1, March 1	September 1, 2030
2023 Road	5,785,000	5,785,000	4.75% - 7.25%	September 1, 2025/2049	September 1, March 1	September 1, 2030
2024	11,650,000	11,650,000	4.00% - 6.50%	September 1, 2026/2050	September 1, March 1	September 1, 2030
2024 Road	7,705,000	7,705,000	4.00%	September 1, 2026/2050	September 1, March 1	September 1, 2030
	$ 29,335,000					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At April 30, 2025, the District had authorized but unissued bonds in the amount of $106,915,000 for water, sewer and drainage facilities and $36,828,000 for the refunding of such bonds; $40,545,000 for parks and recreational facilities and $12,164,000 for the refunding of such bonds; and $103,655,000 for road improvements and $35,144,000 for the refunding of such bonds.

On September 12, 2024, the District issued its $11,650,000 Series 2024 Unlimited Tax Bonds at a net effective interest rate of 4.265558%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a $6,125,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

Additionally, on October 10, 2024, the District issued its $7,705,000 Series 2024 Unlimited Tax Road Bonds at a net effective interest rate of 4.179104%. Proceeds of the bonds were used (1) to reimburse developers for the cost of roads constructed within the District and the acquisition of land for certain District facilities, (2) to pay developer expense at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	$ 9,980,000
Bonds issued	19,355,000
Bonds payable, end of year	$ 29,335,000

As of April 30, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	$ 210,000	$ 1,305,782	$ 1,515,782
2027	655,000	1,279,162	1,934,162
2028	685,000	1,239,074	1,924,074
2029	715,000	1,197,169	1,912,169
2030	755,000	1,153,182	1,908,182
2031	780,000	1,107,213	1,887,213
2032	825,000	1,063,163	1,888,163
2033	860,000	1,023,026	1,883,026
2034	900,000	983,207	1,883,207
2035	940,000	943,094	1,883,094
2036	985,000	902,669	1,887,669
2037	1,030,000	860,369	1,890,369
2038	1,085,000	815,945	1,900,945
2039	1,135,000	769,582	1,904,582
2040	1,185,000	721,419	1,906,419
2041	1,240,000	671,081	1,911,081
2042	1,295,000	618,450	1,913,450
2043	1,360,000	563,306	1,923,306
2044	1,415,000	505,355	1,920,355
2045	1,480,000	444,584	1,924,584
2046	1,560,000	380,618	1,940,618
2047	1,630,000	313,118	1,943,118
2048	1,705,000	242,318	1,947,318
2049	1,785,000	168,237	1,953,237
2050	1,870,000	90,643	1,960,643
2051	1,250,000	25,468	1,275,468
	$ 29,335,000	$ 19,387,234	$ 48,722,234

Note 10 – Property Taxes

On May 11, 2021, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Waller County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of $1.50 per $100 of assessed value, of which $0.43 was allocated to maintenance and operations, $0.27 was allocated to debt service, $0.56 was allocated to contract tax and $0.24 was allocated to road debt service. The resulting tax levy was $4,075,934 on the adjusted taxable value of $271,728,926.

Property taxes receivable, at April 30, 2025, consisted of the following:

Current year taxes receivable	$ 74,873
Prior years taxes receivable	11
	74,884
Penalty and interest receivable	8,239
Property taxes receivable	$ 83,123

Note 11 – Transfers to Other Governments

Waller County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Waller County, not the District. The estimated cost of each road project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developers are subsequently reimbursed. For the year ended April 30, 2025, the District recorded transfers to other governments in the amount of $1,925,300 for right-of-way land acquisitions transferred to the County and adjustments to the value of road facilities completed in previous fiscal years.

Note 12 – Master District

On November 17, 2020, (amended effective February 1, 2021) the District entered into a contract for Financing, Operation, and Maintenance of Regional Facilities (the "Contract") with Harris – Waller Counties MUD No. 4 (the "Master District") whereby the Master District agrees to provide or cause to be provided the regional water supply and distribution facilities and the wastewater collection, treatment and disposal facilities, drainage, and road facilities necessary to serve all participant districts located within the Master District's service area. The term of the Contract is 40 years.

Operating and Maintenance Reserve

The Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the District an amount calculated by multiplying the monthly fee (as defined below) by three in order to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually. As of April 30, 2025, the District has paid $60,925 for an operating reserve.

Monthly Connection Fees for Operating Expenses

Upon commencement of services, the Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections ("ESFCs") reserved to the District.

Master District Debt

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage, and road facilities needed to provide services to all participating districts in the service area. The District shall contribute annually to the payment of debt service requirements based on its annual pro rata share of the total certified assessed valuation of all participating districts. For the 2024 tax year, the District's pro rata share is 25.71%. The District levied a contract tax rate of $0.56 per $100 of assessed valuation to pay for its pro rata share of Master District debt service requirements. As of April 30, 2025, the Master District has $84,915,000 in contract revenue bonds outstanding.

Summary of Charges

For the fiscal year ended April 30, 2025, the District incurred the following costs pursuant to the Contract with the Master District:

- Monthly connection fees for operating expenses in the amount of $1,527,657;
- Monthly charges for mowing expenses in the amount of $289,617; and
- Contractual obligations for Master District debt service requirements in the amount of $1,377,992.

Note 13 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 14 – Subsequent Event

On July 10, 2025, the District approved the sale of its Series 2025 Unlimited Tax Bonds in the amount of $5,145,000. Proceeds from the bonds will be used to reimburse the District's developers for infrastructure improvements in the District.

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Required Supplementary Information

Waller County Municipal Utility District No. 37
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ 600,000	$ 881,806	$ 884,011	$ 2,205
Sewer service	250,000	579,464	516,369	(63,095)
Property taxes	812,000	1,000,000	1,155,153	155,153
Penalties and interest	20,000	20,000	26,481	6,481
Tap connection and inspection	594,900	594,900	506,102	(88,798)
Miscellaneous	2,000	2,000	47,471	45,471
Investment earnings			41,116	41,116
Total Revenues	2,278,900	3,078,170	3,176,703	98,533
Expenditures				
Current service operations				
Professional fees	161,000	163,000	125,355	37,645
Contracted services	370,796	541,355	467,408	73,947
Repairs and maintenance	250,000	250,000	182,905	67,095
Administrative	26,660	26,660	25,911	749
Other	3,000	3,000	163	2,837
Capital outlay	154,500	154,500	188,409	(33,909)
Intergovernmental				
Master District connection fees	840,000	1,477,167	1,527,657	(50,490)
Maintenance charges	75,000	200,028	289,617	(89,589)
Total Expenditures	1,880,956	2,815,710	2,807,425	8,285
Revenues Over Expenditures	397,944	262,460	369,278	106,818
Other Financing Uses				
Internal transfers			(5,000)	(5,000)
Net Change in Fund Balance	397,944	262,460	364,278	101,818
Fund Balance				
Beginning of the year	752,963	752,963	752,963	
End of the year	$ 1,150,907	$ 1,015,423	$ 1,117,241	$ 101,818

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Waller County Municipal Utility District No. 37
TSI-1. Services and Rates
April 30, 2025

1. Services provided by the District During the Fiscal Year:

[X] Retail Water	[ ] Wholesale Water	[X] Solid Waste / Garbage	[X] Drainage
[X] Retail Wastewater	[ ] Wholesale Wastewater	[ ] Flood Control	[ ] Irrigation
[ ] Parks / Recreation	[ ] Fire Protection	[X] Roads	[X] Security

[X] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

[ ] Other (Specify): ______

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	$ 57.00	10,000	N	$ 4.30	10,001 to no limit
Wastewater:	$ 47.50	N/A	Y		

District employs winter averaging for wastewater usage? [ ] Yes [ ] No

Total charges per 10,000 gallons usage: Water $ 57.00 Wastewater $ 47.50

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1,101	1,090	x 1.0	1,090
1"	1	1	x 2.5	3
1.5"			x 5.0	
2"	19	19	x 8.0	152
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	1,122	1,111		1,325
Total Wastewater	1,101	1,090	x 1.0	1,090

See accompanying auditor's report.

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

*Gallons pumped into system:	121,145,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	121,145,000	100.00%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: ____________

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: ____________

5. Location of District

Is the District located entirely within one county? Yes ☒ No ☐

County(ies) in which the District is located: Waller County

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which the District is located: ____________

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? ____________

*Purchased from Harris - Waller Counties Municipal Utility District No. 4

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-2. General Fund Expenditures
For the Year Ended April 30, 2025

Professional fees	
Legal	$ 64,287
Audit	15,000
Engineering	46,068
	125,355
Contracted services	
Bookkeeping	25,525
Operator	82,786
Garbage collection	248,555
Inspection	77,331
Security	33,211
	467,408
Repairs and maintenance	182,905
Administrative	
Directors fees	9,282
Printing and office supplies	1,888
Insurance	7,161
Other	7,580
	25,911
Other	163
Capital outlay	188,409
Intergovernmental	
Master District connection fees	1,527,657
Maintenance charges	289,617
	1,817,274
Total expenditures	$ 2,807,425

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-3. Investments
April 30, 2025

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	$ 1,424,574
Debt Service			
TexSTAR	Variable	N/A	944,844
TexSTAR - Road	Variable	N/A	922,456
TexSTAR - Contract Tax	Variable	N/A	135,785
			2,003,085
Capital Projects			
TexSTAR	Variable	N/A	63,923
Total - All Funds			$ 3,491,582

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-4. Taxes Levied and Receivable
April 30, 2025

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Debt Service Road Taxes
Taxes Receivable, Beginning of Year	$ 11,360	$ 652	$ 7,573	$ -
Adjustments to Prior Year Tax Levy	(3,303)	(190)	(2,204)	
Adjusted Receivable	8,057	462	5,369	
2024 Original Tax Levy	1,078,131	676,966	1,404,077	601,747
Adjustments	90,304	56,702	117,605	50,402
Adjusted Tax Levy	1,168,435	733,668	1,521,682	652,149
Total to be accounted for	1,176,492	734,130	1,527,051	652,149
Tax collections:				
Current year	1,146,971	720,191	1,493,729	640,170
Prior years	8,049	462	5,366	
Total Collections	1,155,020	720,653	1,499,095	640,170
Taxes Receivable, End of Year	$ 21,472	$ 13,477	$ 27,956	$ 11,979
Taxes Receivable, By Years				
2024	$ 21,464	$ 13,477	$ 27,953	$ 11,979
2023	8		3	
Taxes Receivable, End of Year	$ 21,472	$ 13,477	$ 27,956	$ 11,979

	2024	2023	2022	2021
Property Valuations:				
Land	$ 78,399,930	$ 77,310,547	$ 18,351,960	$ 7,937,030
Improvements	207,624,252	19,572,318		97,060
Personal Property	818,872	217,791	306,390	131,898
Exemptions	(15,114,128)	(3,033,497)	(50,398)	(59,561)
Total Property Valuations	$ 271,728,926	$ 94,067,159	$ 18,607,952	$ 8,106,427
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.43	$ 0.87	$ 1.50	$ 1.50
Debt service tax rates	0.27	0.05		
Contract tax rates	0.56	0.58		
Debt service road tax rates	0.24			
Total Tax Rates per $100 Valuation	$ 1.50	$ 1.50	$ 1.50	$ 1.50
Adjusted Tax Levy:	$ 4,075,934	$ 1,411,007	$ 279,119	$ 121,596
Percentage of Taxes Collected to Taxes Levied **	98.16%	99.99%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on May 11, 2021

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

See accompanying auditor's report.

Totals
$ 19,585
(5,697)
13,888
3,760,921
315,013
4,075,934
4,089,822
4,001,061
13,877
4,014,938
$ 74,884
$ 74,873
11
$ 74,884

Waller County Municipal Utility District No. 37
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 90,000	$ 192,025	$ 282,025
2027	95,000	186,237	281,237
2028	95,000	180,062	275,062
2029	100,000	173,725	273,725
2030	105,000	167,063	272,063
2031	110,000	160,075	270,075
2032	120,000	152,600	272,600
2033	125,000	144,794	269,794
2034	130,000	136,825	266,825
2035	135,000	130,062	265,062
2036	145,000	124,462	269,462
2037	150,000	118,562	268,562
2038	160,000	112,363	272,363
2039	165,000	105,863	270,863
2040	175,000	99,063	274,063
2041	185,000	91,863	276,863
2042	190,000	84,363	274,363
2043	200,000	76,563	276,563
2044	210,000	68,231	278,231
2045	220,000	59,363	279,363
2046	235,000	49,831	284,831
2047	245,000	39,631	284,631
2048	255,000	29,006	284,006
2049	270,000	17,850	287,850
2050	285,000	6,056	291,056
	$ 4,195,000	$ 2,706,538	$ 6,901,538

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-5. Long-Term Debt Service Requirements
Series 2023 Road--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 120,000	$ 302,869	$ 422,869
2027	125,000	293,987	418,987
2028	135,000	284,562	419,562
2029	140,000	274,594	414,594
2030	150,000	264,081	414,081
2031	155,000	253,025	408,025
2032	165,000	241,425	406,425
2033	170,000	231,194	401,194
2034	180,000	222,444	402,444
2035	190,000	213,194	403,194
2036	195,000	203,569	398,569
2037	205,000	193,569	398,569
2038	220,000	182,944	402,944
2039	230,000	171,981	401,981
2040	240,000	160,819	400,819
2041	250,000	149,181	399,181
2042	265,000	136,950	401,950
2043	280,000	124,006	404,006
2044	290,000	110,287	400,287
2045	305,000	95,784	400,784
2046	320,000	80,550	400,550
2047	340,000	64,250	404,250
2048	355,000	46,875	401,875
2049	370,000	28,750	398,750
2050	390,000	9,750	399,750
	$ 5,785,000	$ 4,340,640	$ 10,125,640

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ -	$ 502,688	$ 502,688
2027	260,000	494,238	754,238
2028	275,000	476,850	751,850
2029	285,000	458,650	743,650
2030	300,000	439,638	739,638
2031	310,000	419,813	729,813
2032	325,000	403,238	728,238
2033	340,000	389,938	729,938
2034	355,000	376,038	731,038
2035	370,000	361,538	731,538
2036	390,000	346,338	736,338
2037	405,000	330,438	735,438
2038	425,000	313,838	738,838
2039	445,000	296,438	741,438
2040	465,000	278,237	743,237
2041	485,000	259,237	744,237
2042	505,000	239,437	744,437
2043	530,000	218,737	748,737
2044	550,000	197,137	747,137
2045	575,000	174,637	749,637
2046	605,000	151,037	756,037
2047	630,000	126,337	756,337
2048	660,000	100,537	760,537
2049	690,000	73,537	763,537
2050	720,000	45,337	765,337
2051	750,000	15,468	765,468
	$ 11,650,000	$ 7,489,356	$ 19,139,356

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-5. Long-Term Debt Service Requirements
Series 2024 Road--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ -	$ 308,200	$ 308,200
2027	175,000	304,700	479,700
2028	180,000	297,600	477,600
2029	190,000	290,200	480,200
2030	200,000	282,400	482,400
2031	205,000	274,300	479,300
2032	215,000	265,900	480,900
2033	225,000	257,100	482,100
2034	235,000	247,900	482,900
2035	245,000	238,300	483,300
2036	255,000	228,300	483,300
2037	270,000	217,800	487,800
2038	280,000	206,800	486,800
2039	295,000	195,300	490,300
2040	305,000	183,300	488,300
2041	320,000	170,800	490,800
2042	335,000	157,700	492,700
2043	350,000	144,000	494,000
2044	365,000	129,700	494,700
2045	380,000	114,800	494,800
2046	400,000	99,200	499,200
2047	415,000	82,900	497,900
2048	435,000	65,900	500,900
2049	455,000	48,100	503,100
2050	475,000	29,500	504,500
2051	500,000	10,000	510,000
	$ 7,705,000	$ 4,850,700	$ 12,555,700

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
April 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 210,000	$ 1,305,782	$ 1,515,782
2027	655,000	1,279,162	1,934,162
2028	685,000	1,239,074	1,924,074
2029	715,000	1,197,169	1,912,169
2030	755,000	1,153,182	1,908,182
2031	780,000	1,107,213	1,887,213
2032	825,000	1,063,163	1,888,163
2033	860,000	1,023,026	1,883,026
2034	900,000	983,207	1,883,207
2035	940,000	943,094	1,883,094
2036	985,000	902,669	1,887,669
2037	1,030,000	860,369	1,890,369
2038	1,085,000	815,945	1,900,945
2039	1,135,000	769,582	1,904,582
2040	1,185,000	721,419	1,906,419
2041	1,240,000	671,081	1,911,081
2042	1,295,000	618,450	1,913,450
2043	1,360,000	563,306	1,923,306
2044	1,415,000	505,355	1,920,355
2045	1,480,000	444,584	1,924,584
2046	1,560,000	380,618	1,940,618
2047	1,630,000	313,118	1,943,118
2048	1,705,000	242,318	1,947,318
2049	1,785,000	168,237	1,953,237
2050	1,870,000	90,643	1,960,643
2051	1,250,000	25,468	1,275,468
	$ 29,335,000	$ 19,387,234	$ 48,722,234

See accompanying auditor's report.

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Waller County Municipal Utility District No. 37
TSI-6. Change in Long-Term Bonded Debt
April 30, 2025

	Bond Issue			
	Series 2023	Series 2023 Road	Series 2024	Series 2024 Road
Interest rate	4.00% - 6.50%	4.75% - 7.25%	4.00% - 6.50%	4.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/25 - 9/1/49	9/1/25 - 9/1/49	9/1/26 - 9/1/50	9/1/26 - 9/1/50
Beginning bonds outstanding	$ 4,195,000	$ 5,785,000	$ -	$ -
Bonds issued			11,650,000	7,705,000
Ending bonds outstanding	$ 4,195,000	$ 5,785,000	$ 11,650,000	$ 7,705,000
Interest paid during fiscal year	$ 194,725	$ 307,219	$ 235,984	$ 120,712
Paying agent's name and city				
All Series	Regions Bank, Houston, Texas			

Bond Authority:	Water, Sewer and Drainage Bonds	Park and Recreation Facilities Bonds	Road Bonds
Amount Authorized by Voters	$ 122,760,000	$ 40,545,000	$ 117,145,000
Amount Issued	(15,845,000)		(13,490,000)
Remaining To Be Issued	$ 106,915,000	$ 40,545,000	$ 103,655,000

Bond Authority:	Water, Sewer and Drainage Refunding Bonds	Park and Recreation Facilities Refunding Bonds	Road Refunding Bonds
Amount Authorized by Voters	$ 36,828,000	$ 12,164,000	$ 35,144,000
Amount Issued			
Remaining To Be Issued	$ 36,828,000	$ 12,164,000	$ 35,144,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balance as of April 30, 2025:	$ 2,088,608
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,873,932

See accompanying auditor's report.

Totals
$ 9,980,000
19,355,000
$ 29,335,000
$ 858,640

Waller County Municipal Utility District No. 37
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021**
Revenues					
Water service	$ 884,011	$ 558,631	$ 61,064	$ -	$ -
Sewer service	516,369	230,410	20,627		
Property taxes	1,155,153	810,359	279,516	121,588	
Penalties and interest	26,481	23,346	1,316		
Tap connection and inspection	506,102	1,352,314	614,815		
Miscellaneous	47,471	32,506	915		
Investment earnings	41,116	12,124	459		4
Total Revenues	3,176,703	3,019,690	978,712	121,588	4
Expenditures					
Current service operations					
Professional fees	125,355	138,787	180,814	89,435	77,830
Contracted services	467,408	829,692	343,083	19,253	2,400
Repairs and maintenance	182,905	220,355	20,522		
Administrative	25,911	22,013	18,529	19,017	6,877
Other	163	101	1,404	220	
Capital outlay	188,409				
Intergovernmental					
Master District connection fees	1,527,657	983,323	205,743		
Maintenance charges	289,617	206,956	65,516		
Contract obligations		42,633	31,028		
Total Expenditures	2,807,425	2,443,860	866,639	127,925	87,107
Revenues Over (Under) Expenditures	$ 369,278	$ 575,830	$ 112,073	$ (6,337)	$ (87,103)
Total Active Retail Water Connections	1,111	937	318	N/A	N/A
Total Active Retail Wastewater Connections	1,090	919	313	N/A	N/A

*Percentage is negligible
** Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021**
28%	18%	6%		-%
16%	8%	2%		
36%	27%	29%	100%	
1%	1%	*		
16%	45%	63%		
1%	1%	*		
1%	*	*		-
99%	100%	100%	100%	-
4%	5%	18%	74%	-
15%	27%	35%	16%	-
6%	7%	2%		
1%	1%	2%	16%	-
*	*	*	*	
6%				
48%	33%	21%		
9%	7%	7%		
	1%	3%		
89%	81%	88%	106%	-
10%	19%	12%	(6%)	-

Waller County Municipal Utility District No. 37
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Two Fiscal Years

	Amounts		Percent of Fund Total Revenues	
	2025	2024	2025	2024
Revenues				
Property taxes	$ 2,859,785	$ 586,776	97%	95%
Penalties and interest	15,828	3,281	1%	1%
Miscellaneous	10		*	
Investment earnings	70,626	26,210	2%	4%
Total Revenues	2,946,249	616,267	100%	100%
Expenditures				
Tax collection services	64,975	34,479	2%	6%
Debt service				
Interest and fees	859,446	197,448	29%	32%
Intergovernmental				
Contractual obligations	1,377,992	538,334	47%	87%
Total Expenditures	2,302,413	770,261	78%	125%
Revenues Over (Under) Expenditures	$ 643,836	$ (153,994)	22%	(25%)

*Percentage is negligible

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2025

Complete District Mailing Address:	3200 Southwest Freeway Suite 2600 Houston, TX 77027		
District Business Telephone Number:	(713)-860-6400		
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 9, 2024		
Limit on Fees of Office that a Director may receive during a fiscal year:		$	7,200
(Set by Board Resolution -- TWC Section 49.060)			

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
Board Members				
Matthew C. Deal	05/22 - 05/26	$ 1,768	$ -	President
Mark Witcher	09/22 - 05/26	1,547		Vice President
Brian Welch	05/24 - 05/28	1,768		Secretary
David Moriniere	05/24 - 05/28	2,431		Assistant Vice President
Leigh Ellis	05/24 - 05/28	1,768		Assistant Secretary
		Amounts Paid		
Consultants				
Allen Boone Humphries Robinson LLP	2020			Attorney
General legal fees		$ 65,464		
Bond counsel		516,147		
Municipal District Services, LLC	2020	642,643		Operator
Myrtle Cruz, Inc.	2020	35,247		Bookkeeper
Bob Leared Interests	2020	24,316		Tax Collector
Waller County Appraisal District	*Legislation*	34,806		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2020	1,835		Delinquent Tax Attorney
Quiddity Engineering, LLC	2020	134,221		Engineer
Kimley-Horn & Associates, Inc.	2020			Landscape Architect
McGrath & Co., PLLC	2020	43,000		Auditor
R.W. Baird & Co., Incorporated	2020	422,886		Financial Advisor

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