

**HARRIS – WALLER COUNTIES  
MUNICIPAL UTILITY DISTRICT NO. 4  
HARRIS AND WALLER COUNTIES, TEXAS  
FINANCIAL REPORT  
April 30, 2021**



## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		5
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Fund Balance Sheet		12
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance		13
Notes to Basic Financial Statements		15
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		26
Notes to Required Supplementary Information		27
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	30
General Fund Expenditures	TSI-2	32
Investments	TSI-3	N/A
Taxes Levied and Receivable	TSI-4	N/A
Long-Term Debt Service Requirements by Years	TSI-5	N/A
Change in Long-Term Bonded Debt	TSI-6	N/A
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	33
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	N/A
Board Members, Key Personnel and Consultants	TSI-8	34



# McGRATH & CO., PLLC

*Certified Public Accountants*  
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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities and General Fund of Harris - Waller Counties Municipal Utility District No. 4, as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility 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; this includes 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinions.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Harris - Waller Counties Municipal Utility District No. 4, as of April 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*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, 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.

*Other 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*W. G. G. & Co., P.C.*

Houston, Texas  
August 19, 2021

## **Management's Discussion and Analysis**

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***Harris - Waller Counties Municipal Utility District No. 4  
Management's Discussion and Analysis  
April 30, 2021***

**Using this Annual Report**

Within this section of the financial report of Harris - Waller Counties Municipal Utility District No. 4 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2021. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section. Since this report is for an inception period, comparative data is not included. Financial reports for future years will include a comparative analysis of current year results to prior year data.

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 Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. 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.

***Harris - Waller Counties Municipal Utility District No. 4  
Management's Discussion and Analysis  
April 30, 2021***

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 Fund Balance Sheet* and the *Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. 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, 2021, was negative \$213,822. This amount is negative because the District relies on advances from its developer to fund operating costs. A summary of the District's overall financial position, as of April 30, 2021, is as follows:

Current and other assets	<u>\$ 14,840</u>
Current liabilities	168,662
Long-term liabilities	<u>550,000</u>
Total liabilities	<u>718,662</u>
Net position	
Net investment in capital assets	(10,000)
Unrestricted	<u>(203,822)</u>
Total net position	<u>\$ (213,822)</u>

***Harris - Waller Counties Municipal Utility District No. 4  
Management's Discussion and Analysis  
April 30, 2021***

During the inception period, the District's expenses exceeded its revenues, which resulted in a negative net position of \$213,822. A summary of the District's *Statement of Activities* for the inception period is as follows:

Revenues	
Investment earnings	<u>\$          8</u>
Expenses	
Operating and administrative	203,830
Amortization	<u>10,000</u>
Total expenses	<u>213,830</u>
Change in net position	<u><u>\$ (213,822)</u></u>

**Financial Analysis of the District's General Fund**

Fund balance in the District's General Fund, as of April 30, 2021, was negative \$153,822. A summary of the General Fund's financial position as of April 30, 2021, is as follows:

Total assets	<u>\$ 14,840</u>
Total liabilities	\$ 168,662
Total fund balance	<u>(153,822)</u>
Total liabilities and fund balance	<u><u>\$ 14,840</u></u>

A summary of the General Fund's activities for the inception period is as follows:

Total revenues	\$          8
Total expenditures	<u>(203,830)</u>
Revenues under expenditures	(203,822)
Other changes in fund balance	<u>50,000</u>
Net change in fund balance	<u><u>\$ (153,822)</u></u>

The District relies on advances from its developer to supplement revenue shortfalls. Fund balance in the General Fund is the result of timing differences between developer advances and expenditures for which those advances are intended to fund.

**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 did not amend the budget during the fiscal year. Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$160,072 less than budgeted. The *Budgetary Comparison Schedule* on page 26 of this report provides variance information per financial statement line item.

***Harris - Waller Counties Municipal Utility District No. 4  
Management's Discussion and Analysis  
April 30, 2021***

**Capital Assets**

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer 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, 2021 are summarized as follows:

Capital assets being amortized	
Water and wastewater capacity	\$ 500,000
Less accumulated amortization	<u>(10,000)</u>
Capital assets, net	<u>\$ 490,000</u>

**Long-Term Debt and Related Liabilities**

As of April 30, 2021, the District owes \$550,000 to its developer for water and wastewater capacity payments (Note 8) and operating advances. As discussed in Note 4, the District has an additional commitment in the amount of \$24,759,548 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer 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, 2021, the District, in its capacity as a Master District, had contract revenue bonds of \$263,465,000 authorized, but unissued for the purposes of regional water, sanitary sewer and drainage facilities and \$99,970,000 for road improvements.

At April 30, 2021, the District, in its capacity as a participating district, had \$11,538,000 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 \$3,462,000 for the refunding of such bonds; \$7,692,000 for parks and recreational facilities and \$2,308,000 for the refunding of such bonds; \$7,692,000 for road improvements and \$2,308,000 for the refunding of such bonds.

*Harris - Waller Counties Municipal Utility District No. 4  
Management's Discussion and Analysis  
April 30, 2021*

**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, developer advances and the projected cost of operating the District. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2021 Actual</u>	<u>2022 Budget</u>
Total revenues	\$ 8	\$ 33,010
Total expenditures	<u>(203,830)</u>	<u>(185,550)</u>
Revenues under expenditures	(203,822)	(152,540)
Other changes in fund balance	<u>50,000</u>	<u>152,600</u>
Net change in fund balance	(153,822)	60
Beginning fund balance		<u>(153,822)</u>
Ending fund balance	<u>\$ (153,822)</u>	<u>\$ (153,762)</u>

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## **Basic Financial Statements**

***Harris - Waller Counties Municipal Utility District No. 4  
Statement of Net Position and Governmental Fund Balance Sheet  
April 30, 2021***

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash	\$ 14,840	\$ -	\$ 14,840
Capital assets, net		490,000	490,000
Total Assets	<u>\$ 14,840</u>	<u>490,000</u>	<u>504,840</u>
<b>Liabilities</b>			
Accounts payable	\$ 168,662		168,662
Due to developer		550,000	550,000
Total Liabilities	<u>168,662</u>	<u>550,000</u>	<u>718,662</u>
<b>Fund Balance/Net Position</b>			
<b>Fund Balance</b>			
Unassigned	<u>(153,822)</u>	153,822	
Total Fund Balance	<u>(153,822)</u>	<u>153,822</u>	
Total Liabilities and Fund Balance	<u>\$ 14,840</u>		
<b>Net Position</b>			
Net investment in capital assets		(10,000)	(10,000)
Unrestricted		<u>(203,822)</u>	<u>(203,822)</u>
Total Net Position		<u>\$ (213,822)</u>	<u>\$ (213,822)</u>

See notes to basic financial statements.

*Harris - Waller Counties Municipal Utility District No. 4  
Statement of Activities and Governmental Fund Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended April 30, 2021*

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Investment earnings	\$ 8	\$ -	\$ 8
<b>Expenditures/Expenses</b>			
Operating and administrative			
Professional fees	183,508		183,508
Contracted services	6,400		6,400
Administrative	12,574		12,574
Other	1,348		1,348
Amortization		10,000	10,000
Total Expenditures/Expenses	<u>203,830</u>	<u>10,000</u>	<u>213,830</u>
<b>Revenues Under Expenditures</b>	(203,822)	203,822	
<b>Other Financing Sources</b>			
Operating advances	<u>50,000</u>	<u>(50,000)</u>	
<b>Net Change in Fund Balance</b>	(153,822)	153,822	
<b>Change in Net Position</b>		(213,822)	(213,822)
Fund Balance/Net Position			
<b>End of the year</b>	<u>\$ (153,822)</u>	<u>\$ (60,000)</u>	<u>\$ (213,822)</u>

See notes to basic financial statements.

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***Harris - Waller Counties Municipal Utility District No. 4***  
***Notes to Basic Financial Statements***  
***April 30, 2021***

**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, 86<sup>th</sup> Session of the Texas Legislature, Regular Session, codified as Chapter 8047, Texas Special District Local Law Code (the “Act”), effective May 3, 2019, and operates in accordance with Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution, and the Texas Water Code, Chapters 49 and 54. On July 30, 2020, 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.

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. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District's principal financial resources are developer advances. Expenditures include costs associated with the daily operations of the District.

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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which consists of water and wastewater capacity payments, are amortized using the straight-line method over the life of the District's agreement with Quadvest, L.P. (Note 8).

**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 does not have any restricted fund balances.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds**

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 - deficit fund balance 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 useful lives and impairment of capital assets; the value of amounts due to developer; and the value of capital assets for which the developer has 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.

*Harris - Waller Counties Municipal Utility District No. 4*  
*Notes to Basic Financial Statements*  
*April 30, 2021*

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balance, governmental funds	\$ (153,822)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Historical cost	\$ 500,000
Less accumulated amortization	<u>(10,000)</u>
Change due to capital assets	490,000
Amounts due to the District's developer for water and wastewater capacity and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(550,000)
Total net position - governmental activities	<u><u>\$ (213,822)</u></u>

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

Net change in fund balances - total governmental funds	\$ (153,822)
In the <i>Statement of Activities</i> , the cost of capital assets is charged to expense over the estimated useful life of the asset.	(10,000)
Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .	(50,000)
Change in net position of governmental activities	<u><u>\$ (213,822)</u></u>

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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

*Harris - Waller Counties Municipal Utility District No. 4*  
*Notes to Basic Financial Statements*  
*April 30, 2021*

**Note 3 – Deposits and Investments (continued)**

**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.

**Note 4 – Due to Developer**

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, and drainage facilities. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer 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.

The District's developer has also advanced funds to the District for operating expenses. The amount due to developer at April 30, 2021 consists of the following:

Developer funded water and wastewater capacity	\$	500,000
Operating advances from developer		50,000
Due to developer, end of year	\$	<u>550,000</u>

***Harris - Waller Counties Municipal Utility District No. 4***  
***Notes to Basic Financial Statements***  
***April 30, 2021***

**Note 4 – Due to Developer (continued)**

In addition, the District will owe the developer approximately \$24,759,548, 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	Amounts Paid	Remaining Commitment
Sunterra Phase 1 excavation and mass grading	\$ 5,436,810	\$ 4,138,355	\$ 1,298,455
Sunterra Phase 1 pipes and outfalls	2,024,383	1,703,637	320,746
Barlett Road Segments 1 and 2 - utilities and paving	4,337,922	1,109,629	3,228,293
Sunterra Phase 1B mass grading and detention	4,903,084		4,903,084
Sunterra Phase 1A excavation and mass grading	4,745,511	1,495,829	3,249,682
Stockdick Road Segment 1 - paving	1,722,588		1,722,588
Stockdick Road Segment 1 - utilities	1,589,250		1,589,250
	<u>\$ 24,759,548</u>	<u>\$ 8,447,450</u>	<u>\$ 16,312,098</u>

**Note 5 – Long-Term Debt**

At April 30, 2021, the District, in its capacity as a Master District, had contract revenue bonds of \$263,465,000 authorized, but unissued for the purposes of regional water, sanitary sewer and drainage facilities and \$99,970,000 for road improvements.

At April 30, 2021, the District, in its capacity as a participating district, had \$11,538,000 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 \$3,462,000 for the refunding of such bonds; \$7,692,000 for parks and recreational facilities and \$2,308,000 for the refunding of such bonds; \$7,692,000 for road improvements and \$2,308,000 for the refunding of such bonds.

**Note 6 – 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 limited to \$0.25 per \$100 of assessed value. The District has not levied a maintenance tax or road maintenance tax.

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

*Harris - Waller Counties Municipal Utility District No. 4*  
*Notes to Basic Financial Statements*  
*April 30, 2021*

**Note 7 – Master District**

The District, in its capacity as Master District, has entered into contracts (the “Contracts”) with the District in its capacity as a participating district, MUD 5 and MUD 37 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 participating district) and the District (in its capacity as Master District), the District, in addition to its role as Master District, has the same rights and duties as the other participant districts. As of April 30, 2021, the District has not incurred any costs under these Contracts.

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 8 for additional information.

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. The Master District shall adjust the reserve as needed, not less than annually.

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. The term of the Contracts is 40 years. As of April 30, 2021, the Master District has not billed the participating districts for any such costs.

As of April 30, 2021, the District, in its Master District capacity, is authorized to issue \$610,227,000 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 area and \$199,661,000 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. As of April 30, 2021, the Master District has not issued any bonds.

**Note 8 – 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 District. On May 10, 2021, subsequent to fiscal year end, Katy 1039, the District and Quadvest entered into an Assignment and First Amendment to Wholesale Agreement for Water and Wastewater Service (the “Amended Agreement”). The District has assumed all rights and obligations of Katy 1039 pursuant to this Amended Agreement.

*Harris - Waller Counties Municipal Utility District No. 4*  
*Notes to Basic Financial Statements*  
*April 30, 2021*

**Note 8 – Wholesale Agreement (continued)**

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. Pursuant to the Agreement, the District’s developer paid \$500,000 for the reserved water and wastewater capacity in the Quadvest’s systems. The term of the Agreement is 50 years.

**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 personal injuries. The risk of loss is covered by commercial insurance. Settlement amounts have not exceeded insurance coverage for the current year.

**Note 10 – Economic Dependency**

The District is dependent upon its developer for operating advances. The developer continues to own a substantial portion of the taxable property within the District. The developer’s willingness to make future operating advances and/or to pay property taxes will directly affect the District’s ability to meet its future obligations.

**Note 11 – Subsequent Event**

On May 1, 2021, the voters of the District are authorized the District’s Board of Directors to issue \$27,610,000 for water, sanitary sewer and drainage facilities 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; \$28,545,000 for road improvements and \$8,564,000 for the refunding of such bonds. This authorization was approved in lieu of the bonds authorized at the District’s bond election on November 3, 2020.

Also on May 1, 2021, the voters of the District authorized the District, in its capacity as a Master District, to issue \$610,227,000 in contract revenue bonds for the purposes of regional water, sanitary sewer and drainage facilities and \$199,661,000 for road improvements.

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## **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, 2021*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ -	\$ 8	\$ 8
<b>Expenditures</b>			
Operating and administrative			
Professional fees	115,000	183,508	(68,508)
Contracted services	5,800	6,400	(600)
Administrative	21,950	12,574	9,376
Other	1,000	1,348	(348)
Total Expenditures	<u>143,750</u>	<u>203,830</u>	<u>(60,080)</u>
<b>Revenues Under Expenditures</b>	(143,750)	(203,822)	(60,072)
<b>Other Financing Sources</b>			
Operating advances	<u>150,000</u>	<u>50,000</u>	<u>(100,000)</u>
<b>Net Change in Fund Balance</b>	6,250	(153,822)	(160,072)
<b>Fund Balance</b>			
End of the year	<u>\$ 6,250</u>	<u>\$ (153,822)</u>	<u>\$ (160,072)</u>

*Harris - Waller Counties Municipal Utility District No. 4*  
*Notes to Required Supplementary Information*  
*April 30, 2021*

**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. There were no amendments to the budget during the year.

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## **Texas Supplementary Information**

**Harris - Waller Counties Municipal Utility District No. 4**

**TSI-1. Services and Rates**

April 30, 2021

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

- |                                                                                                                                                  |                                               |                                               |                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|-------------------------------------|
| <input type="checkbox"/> Retail Water                                                                                                            | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Solid Waste/ Garbage | <input type="checkbox"/> Drainage   |
| <input type="checkbox"/> Retail Wastewater                                                                                                       | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control        | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks / Recreation                                                                                                      | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Roads                | <input type="checkbox"/> Security   |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |                                               |                                               |                                     |
| <input type="checkbox"/> 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:	N/A	_____	_____	_____	to _____
Wastewater:	N/A	_____	_____	_____	to _____
Surcharge:	N/A	_____	_____	_____	to _____

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

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"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditors' report.



*Harris - Waller Counties Municipal Utility District No. 4  
 TSI-2 General Fund Expenditures  
 For the Year Ended April 30, 2021*

Professional fees		
Legal		\$ 165,881
Engineering		17,627
		<u>183,508</u>
Contracted services		
Bookkeeping		<u>6,400</u>
Administrative		
Directors fees		6,150
Printing and office supplies		1,114
Insurance		2,992
Other		2,318
		<u>12,574</u>
Other		<u>1,348</u>
Total expenditures		<u><u>\$ 203,830</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

*Harris - Waller Counties Municipal Utility District No. 4*  
*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund*  
*For the Current Period*

	<u>Amounts</u>	Percent of Fund Total
	<u>2021</u>	<u>Revenues</u> <u>2021</u>
Revenues		
Investment earnings	<u>\$ 8</u>	<u>100%</u>
Expenditures		
Operating and administrative		
Professional fees	183,508	2293850%
Contracted services	6,400	80000%
Administrative	12,574	157175%
Other	<u>1,348</u>	<u>16850%</u>
Total Expenditures	<u>203,830</u>	<u>2547875%</u>
Revenues Under Expenditures	<u>\$ (203,822)</u>	<u>(2,547,775%)</u>

See accompanying auditors' report.

***Harris - Waller Counties Municipal Utility District No. 4  
TSI-8. Board Members, Key Personnel and Consultants  
For the Year Ended April 30, 2021***

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): December 17, 2020  
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office		Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
	(Elected or Appointed) or Date Hired				
<b>Board Members</b>					
Rhonda Patterson	11/20 to 05/24		\$ 1,200	\$ 72	President
Erica Tabrizi	11/20 to 05/24		1,200	37	Vice President
Ruth Delaunay	11/20 to 05/24		2,100	50	Secretary
Way Denkler	11/20 to 05/22		1,200		Assistant Secretary
Krystal Mutina	12/20 to 05/22		450		Assistant Vice President
<b>Consultants</b>					
			<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2020		\$ 21		Attorney
Municipal District Services	2020				Operator
Myrtle Cruz, Inc.	2020		6,013		Bookkeeper
Bob Leared Interests	2020				Tax Collector
Waller County Appraisal District	Legislation				Property Valuation
Harris County Appraisal District	Legislation				Property Valuation
Jones & Carter, Inc.	2020		16,204		Engineer
Kimley-Horn & Associates, Inc.	2020				Landscape Architect
McGrath & Co., PLLC	2020				Auditor
R.W. Baird & Co., Inc.	2020				Financial Advisor

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