

**HARRIS COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 537**

**HARRIS COUNTY, TEXAS**

**FINANCIAL REPORT**

**May 31, 2023**



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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 County Municipal Utility District No. 537  
Harris County, Texas

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 537 (the "District"), as of and for the year ended May 31, 2023, 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 County Municipal Utility District No. 537, as of May 31, 2023, 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.

### 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

*Board of Directors  
Harris County Municipal Utility District No. 537  
Harris County, Texas*

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.



Houston, Texas  
September 25, 2023

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

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***Harris County Municipal Utility District No. 537  
Management's Discussion and Analysis  
May 31, 2023***

**Using this Annual Report**

Within this section of the financial report of Harris County Municipal Utility District No. 537 (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 May 31, 2023. 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.

***Harris County Municipal Utility District No. 537  
Management's Discussion and Analysis  
May 31, 2023***

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 May 31, 2023, was negative \$6,738,213. The District's net position is negative because the District incurs debt to construct certain facilities which it conveys to the City of Houston. A comparative summary of the District's overall financial position, as of May 31, 2023 and 2022, is as follows:

|                                      |                       |                       |
|--------------------------------------|-----------------------|-----------------------|
|                                      | <u>2023</u>           | <u>2022</u>           |
| Current assets                       | \$ 2,298,125          | \$ 1,780,197          |
| Capital assets                       | <u>9,342,892</u>      | <u>8,208,817</u>      |
| Total assets                         | <u>11,641,017</u>     | <u>9,989,014</u>      |
| <br>                                 |                       |                       |
| Total deferred outflows of resources | <u>93,777</u>         | <u>98,466</u>         |
| <br>                                 |                       |                       |
| Current liabilities                  | 1,265,370             | 848,321               |
| Long-term liabilities                | <u>17,207,637</u>     | <u>14,797,756</u>     |
| Total liabilities                    | <u>18,473,007</u>     | <u>15,646,077</u>     |
| <br>                                 |                       |                       |
| Net position                         |                       |                       |
| Net investment in capital assets     | (3,732,165)           | (2,626,117)           |
| Restricted                           | 566,168               | 394,027               |
| Unrestricted                         | <u>(3,572,216)</u>    | <u>(3,326,507)</u>    |
| Total net position                   | <u>\$ (6,738,213)</u> | <u>\$ (5,558,597)</u> |

**Harris County Municipal Utility District No. 537**  
**Management's Discussion and Analysis**  
**May 31, 2023**

The total net position of the District decreased during the current fiscal year by \$1,179,616. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

|  | 2023                         | 2022                         |
|--|------------------------------|------------------------------|
| Revenues                                 |                              |                              |
| Water and sewer services                 | \$ 294,563                   | \$ 197,581                   |
| Property taxes, penalties and interest   | 1,251,202                    | 1,011,355                    |
| Tap connection and inspection            | 126,140                      | 133,000                      |
| Other                                    | 31,245                       | 10,383                       |
| Total revenues                           | <u>1,703,150</u>             | <u>1,352,319</u>             |
| Expenses                                 |                              |                              |
| Current service operations               | 1,199,735                    | 622,805                      |
| Debt interest and fees                   | 463,545                      | 403,039                      |
| Developer interest                       | 842,756                      | 35,431                       |
| Debt issuance costs                      | 197,883                      | 277,110                      |
| Depreciation/amortization                | 169,905                      | 75,698                       |
| Total expenses                           | <u>2,873,824</u>             | <u>1,414,083</u>             |
| Change in net position before other item | (1,170,674)                  | (61,764)                     |
| Other item                               |                              |                              |
| Transfers to other governments           | (8,942)                      |                              |
| Change in net position                   | (1,179,616)                  | (61,764)                     |
| Net position, beginning of year          | <u>(5,558,597)</u>           | <u>(5,496,833)</u>           |
| Net position, end of period              | <u><u>\$ (6,738,213)</u></u> | <u><u>\$ (5,558,597)</u></u> |

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of May 31, 2023, were \$1,479,981, which consists of \$625,044 in the General Fund, \$639,302 in the Debt Service Fund, and \$215,635 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of May 31, 2023 and 2022 is as follows:

|  | 2023                       | 2022                       |
|--|----------------------------|----------------------------|
| Total assets   | <u>\$ 1,364,605</u>        | <u>\$ 1,204,903</u>        |
| Total liabilities                                    | \$ 735,632                 | \$ 506,836                 |
| Total deferred inflows                               | 3,929                      | 8,543                      |
| Total fund balance                                   | 625,044                    | 689,524                    |
| Total liabilities, deferred inflows and fund balance | <u><u>\$ 1,364,605</u></u> | <u><u>\$ 1,204,903</u></u> |

***Harris County Municipal Utility District No. 537  
Management's Discussion and Analysis  
May 31, 2023***

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

|                                    | <u>2023</u>        | <u>2022</u>       |
|------------------------------------|--------------------|-------------------|
| Total revenues                     | \$ 854,149         | \$ 771,006        |
| Total expenditures                 | (918,629)          | (595,007)         |
| Revenues over/(under) expenditures | <u>\$ (64,480)</u> | <u>\$ 175,999</u> |

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 May 31, 2023 and 2022 is as follows:

|  | <u>2023</u>       | <u>2022</u>       |
|--|-------------------|-------------------|
| Total assets   | <u>\$ 650,906</u> | <u>\$ 460,512</u> |
| Total liabilities                                    | \$ 1,660          | \$ 5              |
| Total deferred inflows                               | 9,944             | 14,443            |
| Total fund balance                                   | <u>639,302</u>    | <u>446,064</u>    |
| Total liabilities, deferred inflows and fund balance | <u>\$ 650,906</u> | <u>\$ 460,512</u> |

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

|                                    | <u>2023</u>       | <u>2022</u>     |
|------------------------------------|-------------------|-----------------|
| Total revenues                     | \$ 857,582        | \$ 603,850      |
| Total expenditures                 | (741,594)         | (674,028)       |
| Revenues over/(under) expenditures | 115,988           | (70,178)        |
| Other changes in fund balance      | 77,250            | 77,812          |
| Net change in fund balance         | <u>\$ 193,238</u> | <u>\$ 7,634</u> |

***Harris County Municipal Utility District No. 537  
Management's Discussion and Analysis  
May 31, 2023***

The District's financial resources in the Debt Service Fund in both the current year and prior 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 May 31, 2023 and 2022 is as follows:

|                    | 2023              | 2022             |
|--------------------|-------------------|------------------|
| Total assets       | <u>\$ 215,635</u> | <u>\$ 44,454</u> |
| Total fund balance | <u>\$ 215,635</u> | <u>\$ 44,454</u> |

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

|                               | 2023               | 2022               |
|-------------------------------|--------------------|--------------------|
| Total revenues                | \$ 532             | \$ -               |
| Total expenditures            | <u>(1,709,101)</u> | <u>(2,802,357)</u> |
| Revenues under expenditures   | (1,708,569)        | (2,802,357)        |
| Other changes in fund balance | 1,879,750          | 2,772,188          |
| Net change in fund balance    | <u>\$ 171,181</u>  | <u>\$ (30,169)</u> |

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2022 Unlimited Tax Bonds in the current year and proceeds from the issuance of its Series 2021A Unlimited Tax Bonds 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 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 \$68,580 less than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

***Harris County Municipal Utility District No. 537  
Management's Discussion and Analysis  
May 31, 2023***

**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 May 31, 2023 and 2022 are summarized as follows:

|  | <u>2023</u>                | <u>2022</u>                |
|--|----------------------------|----------------------------|
| Capital assets not being depreciated       |                            |                            |
| Land and improvements                      | <u>\$ 5,555,699</u>        | <u>\$ 5,555,699</u>        |
| Capital assets being depreciated/amortized |                            |                            |
| Infrastructure                             | 2,233,764                  | 2,255,417                  |
| Landscaping improvements                   | 1,325,633                  |                            |
| Other facilities                           | 109,650                    | 109,650                    |
| Impact fees                                | 728,092                    | 728,092                    |
|  | <u>4,397,139</u>           | <u>3,093,159</u>           |
| Less accumulated depreciation/amortization |                            |                            |
| Infrastructure                             | (409,254)                  | (359,615)                  |
| Landscaping improvements                   | (94,688)                   |                            |
| Other facilities                           | (34,905)                   | (30,519)                   |
| Impact fees                                | (71,099)                   | (49,907)                   |
|  | <u>(609,946)</u>           | <u>(440,041)</u>           |
| Depreciable capital assets, net            | <u>3,787,193</u>           | <u>2,653,118</u>           |
| Capital assets, net                        | <u><u>\$ 9,342,892</u></u> | <u><u>\$ 8,208,817</u></u> |

Additionally, certain capital assets constructed by the District are facilities of the City of Houston. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended May 31, 2023, adjustments to the value of capital assets in the amount of \$8,942 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

**Long-Term Debt and Related Liabilities**

As of May 31, 2023, the District owes approximately \$2,252,637 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. 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.



**Harris County Municipal Utility District No. 537**  
**Management’s Discussion and Analysis**  
**May 31, 2023**

At May 31, 2023 and 2022, the District had total bonded debt outstanding as shown below:

| Series         | 2023          | 2022          |
|----------------|---------------|---------------|
| 2016           | \$ -          | \$ 100,000    |
| 2017           | 2,405,000     | 2,480,000     |
| 2018 Road      | 2,200,000     | 2,250,000     |
| 2020           | 1,950,000     | 1,975,000     |
| 2021 Refunding | 3,785,000     | 3,810,000     |
| 2021A          | 3,000,000     | 3,000,000     |
| 2022           | 2,060,000     |               |
|                | \$ 15,400,000 | \$ 13,615,000 |

During the current year, the District issued \$2,060,000 in unlimited tax bonds. At May 31, 2023, the District had \$24,090,000 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 \$53,170,000 authorized, but unissued for the refunding of such bonds \$12,000,000 for parks and recreational facilities and \$18,000,000 authorized, but unissued for the refunding of such bonds; and \$5,200,000 for road improvements and \$11,250,000 authorized, but unissued for the refunding of such bonds.

**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 year’s budget to current year actual amounts for the General Fund is as follows:

|                                    | 2023 Actual | 2024 Budget |
|------------------------------------|-------------|-------------|
| Total revenues                     | \$ 854,149  | \$ 874,574  |
| Total expenditures                 | (918,629)   | (849,200)   |
| Revenues over/(under) expenditures | (64,480)    | 25,374      |
| Beginning fund balance             | 689,524     | 625,044     |
| Ending fund balance                | \$ 625,044  | \$ 650,418  |

**Property Taxes**

The District’s property tax base increased approximately \$31,534,000 for the 2023 tax year from \$245,805,477 to \$277,339,668. This increase was primarily due to new construction in the District and increased property values.

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## **Basic Financial Statements**

**Harris County Municipal Utility District No. 537**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**May 31, 2023**

|   | General<br>Fund     | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total               | Adjustments           | Statement of<br>Net Position |
|---|---------------------|-------------------------|-----------------------------|---------------------|-----------------------|------------------------------|
| <b>Assets</b>   |                     |                         |                             |                     |                       |                              |
| Cash  | \$ 1,282,744        | \$ 654,257              | \$ 231,713                  | \$ 2,168,714        | \$ -                  | \$ 2,168,714                 |
| Taxes receivable  | 3,929               | 9,944                   |                             | 13,873              |                       | 13,873                       |
| Customer service receivables  | 40,032              |                         |                             | 40,032              |                       | 40,032                       |
| Internal balances   | 29,373              | (13,295)                | (16,078)                    |                     |                       |                              |
| Prepaid items   | 8,527               |                         |                             | 8,527               |                       | 8,527                        |
| Prepaid bond insurance, net   |                     |                         |                             |                     | 66,979                | 66,979                       |
| Capital assets not being depreciated                                  |                     |                         |                             |                     | 5,555,699             | 5,555,699                    |
| Capital assets, net   |                     |                         |                             |                     | 3,787,193             | 3,787,193                    |
| Total Assets  | <u>\$ 1,364,605</u> | <u>\$ 650,906</u>       | <u>\$ 215,635</u>           | <u>\$ 2,231,146</u> | <u>9,409,871</u>      | <u>11,641,017</u>            |
| <b>Deferred Outflows of Resources</b>                                 |                     |                         |                             |                     |                       |                              |
| Deferred difference on refunding                                      |                     |                         |                             |                     | 93,777                | 93,777                       |
| <b>Liabilities</b>  |                     |                         |                             |                     |                       |                              |
| Accounts payable  | \$ 675,117          | \$ -                    | \$ -                        | \$ 675,117          |                       | 675,117                      |
| Other payables  |                     | 1,660                   |                             | 1,660               |                       | 1,660                        |
| Customer deposits   | 49,407              |                         |                             | 49,407              |                       | 49,407                       |
| Builder deposits  | 5,108               |                         |                             | 5,108               |                       | 5,108                        |
| Unearned revenue  | 6,000               |                         |                             | 6,000               |                       | 6,000                        |
| Accrued interest payable  |                     |                         |                             |                     | 83,078                | 83,078                       |
| Due to developers   |                     |                         |                             |                     | 2,252,637             | 2,252,637                    |
| Long-term debt  |                     |                         |                             |                     |                       |                              |
| Due within one year   |                     |                         |                             |                     | 445,000               | 445,000                      |
| Due after one year  |                     |                         |                             |                     | 14,955,000            | 14,955,000                   |
| Total Liabilities   | <u>735,632</u>      | <u>1,660</u>            |                             | <u>737,292</u>      | <u>17,735,715</u>     | <u>18,473,007</u>            |
| <b>Deferred Inflows of Resources</b>                                  |                     |                         |                             |                     |                       |                              |
| Deferred property taxes   | 3,929               | 9,944                   |                             | 13,873              | (13,873)              |                              |
| <b>Fund Balances/Net Position</b>                                     |                     |                         |                             |                     |                       |                              |
| <b>Fund Balances</b>  |                     |                         |                             |                     |                       |                              |
| Nonspendable  | 8,527               |                         |                             | 8,527               | (8,527)               |                              |
| Restricted  |                     | 639,302                 | 215,635                     | 854,937             | (854,937)             |                              |
| Unassigned  | 616,517             |                         |                             | 616,517             | (616,517)             |                              |
| Total Fund Balances   | <u>625,044</u>      | <u>639,302</u>          | <u>215,635</u>              | <u>1,479,981</u>    | <u>(1,479,981)</u>    |                              |
| Total Liabilities, Deferred Inflows<br>of Resources and Fund Balances | <u>\$ 1,364,605</u> | <u>\$ 650,906</u>       | <u>\$ 215,635</u>           | <u>\$ 2,231,146</u> |                       |                              |
| <b>Net Position</b>   |                     |                         |                             |                     |                       |                              |
| Net investment in capital assets                                      |                     |                         |                             |                     | (3,732,165)           | (3,732,165)                  |
| Restricted for debt service   |                     |                         |                             |                     | 566,168               | 566,168                      |
| Unrestricted  |                     |                         |                             |                     | (3,572,216)           | (3,572,216)                  |
| Total Net Position  |                     |                         |                             |                     | <u>\$ (6,738,213)</u> | <u>\$ (6,738,213)</u>        |

See notes to basic financial statements.

**Harris County Municipal Utility District No. 537**

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended May 31, 2023**

|                                       | General<br>Fund   | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total               | Adjustments           | Statement of<br>Activities |
|---------------------------------------|-------------------|-------------------------|-----------------------------|---------------------|-----------------------|----------------------------|
| <b>Revenues</b>                       |                   |                         |                             |                     |                       |                            |
| Water service                         | \$ 127,764        | \$ -                    | \$ -                        | \$ 127,764          | \$ -                  | \$ 127,764                 |
| Sewer service                         | 166,799           |                         |                             | 166,799             |                       | 166,799                    |
| Property taxes                        | 399,610           | 840,410                 |                             | 1,240,020           | (8,064)               | 1,231,956                  |
| Penalties and interest                | 5,564             | 14,731                  |                             | 20,295              | (1,049)               | 19,246                     |
| Tap connection and inspection         | 126,140           |                         |                             | 126,140             |                       | 126,140                    |
| Miscellaneous                         | 11,536            | 668                     | 100                         | 12,304              |                       | 12,304                     |
| Investment earnings                   | 16,736            | 1,773                   | 432                         | 18,941              |                       | 18,941                     |
| <b>Total Revenues</b>                 | <b>854,149</b>    | <b>857,582</b>          | <b>532</b>                  | <b>1,712,263</b>    | <b>(9,113)</b>        | <b>1,703,150</b>           |
| <b>Expenditures/Expenses</b>          |                   |                         |                             |                     |                       |                            |
| Current service operations            |                   |                         |                             |                     |                       |                            |
| Purchased services                    | 336,849           |                         |                             | 336,849             |                       | 336,849                    |
| Professional fees                     | 101,984           | 3,538                   | 253,021                     | 358,543             |                       | 358,543                    |
| Contracted services                   | 192,096           | 18,704                  |                             | 210,800             |                       | 210,800                    |
| Repairs and maintenance               | 181,063           |                         |                             | 181,063             |                       | 181,063                    |
| Utilities                             | 2,541             |                         |                             | 2,541               |                       | 2,541                      |
| Administrative                        | 16,142            | 2,196                   |                             | 18,338              |                       | 18,338                     |
| Other                                 | 87,954            | 3,247                   | 400                         | 91,601              |                       | 91,601                     |
| Capital outlay                        |                   |                         | 415,041                     | 415,041             | (415,041)             |                            |
| Debt service                          |                   |                         |                             |                     |                       |                            |
| Principal                             |                   | 275,000                 |                             | 275,000             | (275,000)             |                            |
| Interest and fees                     |                   | 438,909                 |                             | 438,909             | 24,636                | 463,545                    |
| Developer interest                    |                   |                         | 842,756                     | 842,756             |                       | 842,756                    |
| Debt issuance costs                   |                   |                         | 197,883                     | 197,883             |                       | 197,883                    |
| Depreciation/amortization             |                   |                         |                             |                     | 169,905               | 169,905                    |
| <b>Total Expenditures/Expenses</b>    | <b>918,629</b>    | <b>741,594</b>          | <b>1,709,101</b>            | <b>3,369,324</b>    | <b>(495,500)</b>      | <b>2,873,824</b>           |
| <b>Revenues Over/(Under)</b>          |                   |                         |                             |                     |                       |                            |
| <b>Expenditures</b>                   | (64,480)          | 115,988                 | (1,708,569)                 | (1,657,061)         | 486,387               | (1,170,674)                |
| <b>Other Financing Sources/(Uses)</b> |                   |                         |                             |                     |                       |                            |
| Proceeds from sale of bonds           |                   | 77,250                  | 1,982,750                   | 2,060,000           | (2,060,000)           |                            |
| Repayment of operating advances       |                   |                         | (103,000)                   | (103,000)           | 103,000               |                            |
| <b>Other Item</b>                     |                   |                         |                             |                     |                       |                            |
| Transfers to other governments        |                   |                         |                             |                     | (8,942)               | (8,942)                    |
| <b>Net Change in Fund Balance</b>     | (64,480)          | 193,238                 | 171,181                     | 299,939             | (299,939)             |                            |
| <b>Change in Net Position</b>         |                   |                         |                             |                     | (1,179,616)           | (1,179,616)                |
| Fund Balance/Net Position             |                   |                         |                             |                     |                       |                            |
| Beginning of the year                 | 689,524           | 446,064                 | 44,454                      | 1,180,042           | (6,738,639)           | (5,558,597)                |
| <b>End of the period</b>              | <b>\$ 625,044</b> | <b>\$ 639,302</b>       | <b>\$ 215,635</b>           | <b>\$ 1,479,981</b> | <b>\$ (8,218,194)</b> | <b>\$ (6,738,213)</b>      |

See notes to basic financial statements.

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***Harris County Municipal Utility District No. 537***  
***Notes to Financial Statements***  
***May 31, 2023***

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Harris County Municipal Utility District No. 537 (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 and created under Section 59, Article XVI and Section 52, Article III of the Texas Constitution on September 1, 2013, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on July 1, 2014 and the first bonds were issued on September 29, 2016.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage, recreational and road 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.

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

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

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 and drainage 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.



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

**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.

**Prepaid Bond Insurance**

Prepaid bond insurance reduces the District's borrowing costs and is, therefore, recorded as asset in the government-wide *Statement of Net Position* and amortized to interest expense over the life of the bonds.

**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 May 31, 2023, an allowance for uncollectible accounts was not considered necessary.

**Unbilled Service Revenues**

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

**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 of \$50,000 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.

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

**Capital Assets (continued)**

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           | 45 years                   |
| Landscaping Improvements | 20 years                   |
| Impact fees              | Remaining life of contract |
| Other                    | 25 years                   |

The District’s detention facilities and drainage channels 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.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

**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.

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

**Fund Balance – Governmental Funds**

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. District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund 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 value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; 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.

**Harris County Municipal Utility District No. 537**  
**Notes to Financial Statements**  
**May 31, 2023**

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

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

|   |                  |                              |
|---|------------------|------------------------------|
| Total funds balances, governmental funds  |                  | \$ 1,479,981                 |
| Prepaid bond insurance is recorded as an expenditure at the fund level, but is recorded as a prepaid asset and amortized to interest expense over the life of the bonds in the government wide statements.  |                  | 66,979                       |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.  |                  |                              |
| Historical cost   | \$ 9,952,838     |                              |
| Less accumulated depreciation/amortization  | <u>(609,946)</u> |                              |
| Change due to capital assets  |                  | 9,342,892                    |
| The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the <i>Statement of Net Position</i> and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource. |                  | 93,777                       |
| 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:  |                  |                              |
| Bonds payable, net  | (15,400,000)     |                              |
| Accrued interest payable  | <u>(83,078)</u>  |                              |
| Change due to long-term debt  |                  | (15,483,078)                 |
| Amounts due to the District's developer for pre-funded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .  |                  | (2,252,637)                  |
| Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.  |                  | 13,873                       |
| Total net position - governmental activities  |                  | <u><u>\$ (6,738,213)</u></u> |

*Harris County Municipal Utility District No. 537*  
*Notes to Financial Statements*  
*May 31, 2023*

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

**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  | \$ 299,939                   |
| Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and related penalties and interest.  | (9,113)                      |
| Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the <i>Statement of Activities</i> , the cost of capital assets is charged to expense over the estimated useful life of the asset.   |                              |
| Capital outlays   | \$ 415,041                   |
| Depreciation/amortization expense   | <u>(169,905)</u>             |
|   | 245,136                      |
| The District conveys certain infrastructure to the City of Houston upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments. | (8,942)                      |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.             |                              |
| Issuance of long-term debt  | (2,060,000)                  |
| Principal payments  | 275,000                      |
| Interest expense accrual  | <u>(24,636)</u>              |
|   | (1,809,636)                  |
| Amounts paid to the District's developer for operating advances use financial resources at the fund level, but are recorded as a reduction in the liability in the <i>Statement of Net Position</i> .   | 103,000                      |
| Change in net position of governmental activities   | <u><u>\$ (1,179,616)</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.

**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 – Interfund Balances and Transactions**

Amounts due to/from other funds at May 31, 2023, consist of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u>   | <u>Amounts</u> | <u>Purpose</u>  |
|------------------------|-----------------------|----------------|---|
| General Fund           | Debt Service Fund     | \$ 13,295      | Maintenance tax collections not remitted as of year end |
| Capital Projects Fund  | General Fund          | 12,500         | Annual audit fees paid by the Capital Projects Fund     |
| General Fund           | Capital Projects Fund | 28,578         | Bond application fees paid by the General Fund          |

*Harris County Municipal Utility District No. 537*  
*Notes to Financial Statements*  
*May 31, 2023*

**Note 4 – Interfund Balances and Transactions (continued)**

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

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended May 31, 2023, is as follows:

|  | Beginning<br>Balances | Additions           | Ending<br>Balances  |
|--|-----------------------|---------------------|---------------------|
| Capital assets not being depreciated       |                       |                     |                     |
| Land and improvements                      | \$ 5,555,699          | \$ -                | \$ 5,555,699        |
| Capital assets being depreciated/amortized |                       |                     |                     |
| Infrastructure                             | 2,255,417             | (21,653)            | 2,233,764           |
| Landscaping improvements                   |                       | 1,325,633           | 1,325,633           |
| Other facilities                           | 109,650               |                     | 109,650             |
| Impact fees                                | 728,092               |                     | 728,092             |
|  | <u>3,093,159</u>      | <u>1,303,980</u>    | <u>4,397,139</u>    |
| Less accumulated depreciation/amortization |                       |                     |                     |
| Infrastructure                             | (359,615)             | (49,639)            | (409,254)           |
| Landscaping improvements                   |                       | (94,688)            | (94,688)            |
| Other facilities                           | (30,519)              | (4,386)             | (34,905)            |
| Impact fees                                | (49,907)              | (21,192)            | (71,099)            |
|  | <u>(440,041)</u>      | <u>(169,905)</u>    | <u>(609,946)</u>    |
| Subtotal depreciable capital assets, net   | <u>2,653,118</u>      | <u>1,134,075</u>    | <u>3,787,193</u>    |
| Capital assets, net                        | <u>\$ 8,208,817</u>   | <u>\$ 1,134,075</u> | <u>\$ 9,342,892</u> |

Depreciation/amortization expense for the current year was \$169,905.

**Note 6 – 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 advance funds for the construction of facilities to serve 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.

The District’s developers have also advanced funds to the District for operating expenses.

**Harris County Municipal Utility District No. 537**  
**Notes to Financial Statements**  
**May 31, 2023**

**Note 6 – Due to Developers (continued)**

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

|  |                            |
|--|----------------------------|
| Due to developers, beginning of year   | \$ 1,457,756               |
| Developer reimbursements               | (415,041)                  |
| Repayment of operating advances        | (103,000)                  |
| Developer construction and adjustments | <u>1,312,922</u>           |
| Due to developers, end of year         | <u><u>\$ 2,252,637</u></u> |

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

|                     |                          |
|---------------------|--------------------------|
| Bonds payable       | <u>\$ 15,400,000</u>     |
| Due within one year | <u><u>\$ 445,000</u></u> |

The District's bonds payable at May 31, 2023, consists of unlimited tax bonds as follows:

| Series            | Amounts<br>Outstanding | Original<br>Issue | Interest<br>Rates | Maturity Date,<br>Serially,<br>Beginning/<br>Ending | Interest<br>Payment<br>Dates | Call<br>Dates    |
|-------------------|------------------------|-------------------|-------------------|---|------------------------------|------------------|
| 2016              | \$ -                   | \$ 4,220,000      | 2.00% - 3.75%     | April 1,<br>2018/2043                               | October 1,<br>April 1        | April 1,<br>2021 |
| 2017              | 2,405,000              | 2,630,000         | 2.25% - 4.00%     | April 1,<br>2021/2043                               | October 1,<br>April 1        | April 1,<br>2023 |
| 2018<br>Road      | 2,200,000              | 2,300,000         | 3.00% - 4.00%     | April 1,<br>2022/2045                               | October 1,<br>April 1        | April 1,<br>2023 |
| 2020              | 1,950,000              | 2,000,000         | 2.20% - 4.00%     | April 1,<br>2022/2046                               | October 1,<br>April 1        | April 1,<br>2025 |
| 2021<br>Refunding | 3,785,000              | 3,830,000         | 2.00% - 2.50%     | April 1,<br>2022/2043                               | October 1,<br>April 1        | April 1,<br>2026 |
| 2021A             | 3,000,000              | 3,000,000         | 2.00% - 4.50%     | April 1,<br>2024/2048                               | October 1,<br>April 1        | April 1,<br>2026 |
| 2022              | 2,060,000              | 2,060,000         | 5.00% - 7.50%     | April 1,<br>2024/2048                               | October 1,<br>April 1        | April 1,<br>2027 |
|                   | <u>\$ 15,400,000</u>   |                   |                   |   |                              |                  |

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.



*Harris County Municipal Utility District No. 537*  
*Notes to Financial Statements*  
*May 31, 2023*

**Note 7 – Long-Term Debt (continued)**

At May 31, 2023, the District had \$24,090,000 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 \$53,170,000 authorized, but unissued for the refunding of such bonds; \$12,000,000 for parks and recreational facilities and \$18,000,000 authorized, but unissued for the refunding of such bonds; and \$5,200,000 for road improvements and \$11,250,000 authorized, but unissued for the refunding of such bonds.

On November 29, 2022, the District issued its \$2,060,000 Series 2022 Unlimited Tax Bonds at a net effective interest rate of 5.226404%. 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 finance the construction of the water repressurization system; and (3) 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 | \$ 13,615,000               |
| Bonds issued                     | 2,060,000                   |
| Bonds retired                    | <u>(275,000)</u>            |
| Bonds payable, end of year       | <u><u>\$ 15,400,000</u></u> |

*Harris County Municipal Utility District No. 537*  
*Notes to Financial Statements*  
*May 31, 2023*

**Note 7 – Long-Term Debt (continued)**

As of May 31, 2023, annual debt service requirements on bonds outstanding are as follows:

| Year | Principal     | Interest     | Totals        |
|------|---------------|--------------|---------------|
| 2024 | \$ 445,000    | \$ 498,469   | \$ 943,469    |
| 2025 | 440,000       | 483,195      | 923,195       |
| 2026 | 445,000       | 467,944      | 912,944       |
| 2027 | 495,000       | 451,957      | 946,957       |
| 2028 | 525,000       | 435,319      | 960,319       |
| 2029 | 550,000       | 418,738      | 968,738       |
| 2030 | 580,000       | 400,863      | 980,863       |
| 2031 | 575,000       | 383,187      | 958,187       |
| 2032 | 580,000       | 366,613      | 946,613       |
| 2033 | 655,000       | 349,546      | 1,004,546     |
| 2034 | 655,000       | 330,069      | 985,069       |
| 2035 | 685,000       | 310,319      | 995,319       |
| 2036 | 730,000       | 289,744      | 1,019,744     |
| 2037 | 730,000       | 267,607      | 997,607       |
| 2038 | 785,000       | 244,826      | 1,029,826     |
| 2039 | 810,000       | 219,263      | 1,029,263     |
| 2040 | 815,000       | 193,000      | 1,008,000     |
| 2041 | 865,000       | 166,056      | 1,031,056     |
| 2042 | 935,000       | 137,794      | 1,072,794     |
| 2043 | 975,000       | 106,606      | 1,081,606     |
| 2044 | 540,000       | 74,094       | 614,094       |
| 2045 | 545,000       | 55,031       | 600,031       |
| 2046 | 425,000       | 35,719       | 460,719       |
| 2047 | 305,000       | 21,563       | 326,563       |
| 2048 | 310,000       | 10,906       | 320,906       |
|      | \$ 15,400,000 | \$ 6,718,428 | \$ 22,118,428 |

**Note 8 – Property Taxes**

On November 6, 2014, 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. Additionally, the voters authorized an additional tax levy for use in park and recreational facilities limited to \$0.10 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.

*Harris County Municipal Utility District No. 537*  
*Notes to Financial Statements*  
*May 31, 2023*

**Note 8 – Property Taxes (continued)**

All property values and exempt status, if any, are determined by the Harris 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 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$0.50 per \$100 of assessed value, of which \$0.16 was allocated to maintenance and operations and \$0.28 was allocated to debt service and \$0.06 was allocated to road debt services. The resulting tax levy was \$1,229,027 on the adjusted taxable value of \$245,805,477.

Property taxes receivable, at May 31, 2023, consisted of the following:

|                                 |                  |
|---------------------------------|------------------|
| Current year taxes receivable   | \$ 12,277        |
| Penalty and interest receivable | 1,596            |
| Property taxes receivable       | <u>\$ 13,873</u> |

**Note 9 – Purchased Services**

*Treated Water Supply Contract*

On November 6, 2014, the District entered into a Treated Water Supply Contract (the “Contract”) with the City of Houston (the “City”), in which the City will provide purchased treated water for the District. Under the terms of the contract, the District will be initially provided with a minimum of 600,000 gallons of water per month on a take or pay basis. The total maximum amount of water per month shall be 4,350,000 gallons. The City shall calculate the District’s billing statements in accordance with the formula set forth in the City’s Code of Ordinances. The Contract is effective for forty years. During the current year, the District recorded expenditures/expenses of \$124,378 for purchased water supply.

*Sanitary Sewer Service Agreement*

On November 6, 2014, the District entered into a Sanitary Sewer Service Agreement (the “Agreement”) with the City. Pursuant to the Agreement, the City will provide sanitary collection and treatment services to the District. On a monthly basis, the District shall pay the rates and fees for these services, which is calculated as the total quantity of wastewater flow during the month, as measured in thousand gallons, times the wholesale wastewater rate per thousand gallons.

No capital contribution fees for wastewater capacity shall be charged by the City. Additionally, the District covenants to assess user charges to its customers that will produce sufficient revenues to discharge its obligations to the City under this Agreement. The initial term of this agreement is ten years, with an automatic renewal for no more than three additional terms of up to ten years each. During the current year, the District recorded expenditures of \$212,470 for purchased sewer services.

*Harris County Municipal Utility District No. 537*  
*Notes to Financial Statements*  
*May 31, 2023*

**Note 10 – Transfers to Other Governments**

The District has constructed certain facilities to be maintained by the City of Houston. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. For the year ended May 31, 2023, the District recognized \$8,942 in adjustments to the value of capital assets recognized as transfers to other governments in previous fiscal years.

**Note 11 – Capital Contributions**

During the current year, the District made a capital contribution to the Somerset Green Homeowners Association (the “HOA”) in the amount of \$80,000 for additional security and lighting along the walking trails. The contribution is recognized as “Other expenses” on the *Statement of Activities*.

**Note 12 – 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.

## **Required Supplementary Information**

*Harris County Municipal Utility District No. 537  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended May 31, 2023*

|   | Original and<br>Final Budget | Actual            | Variance<br>Positive<br>(Negative) |
|---|------------------------------|-------------------|------------------------------------|
| <b>Revenues</b>                           |                              |                   |                                    |
| Water service                             | \$ 100,000                   | \$ 127,764        | \$ 27,764                          |
| Sewer service                             | 115,000                      | 166,799           | 51,799                             |
| Property taxes                            | 360,000                      | 399,610           | 39,610                             |
| Penalties and interest                    | 4,500                        | 5,564             | 1,064                              |
| Tap connection and inspection             | 60,000                       | 126,140           | 66,140                             |
| Miscellaneous                             | 8,750                        | 11,536            | 2,786                              |
| Investment earnings                       | 250                          | 16,736            | 16,486                             |
| Total Revenues                            | <u>648,500</u>               | <u>854,149</u>    | <u>205,649</u>                     |
| <b>Expenditures</b>                       |                              |                   |                                    |
| Current service operations                |                              |                   |                                    |
| Purchased services                        | 172,000                      | 336,849           | (164,849)                          |
| Professional fees                         | 111,000                      | 101,984           | 9,016                              |
| Contracted services                       | 128,400                      | 192,096           | (63,696)                           |
| Repairs and maintenance                   | 165,075                      | 181,063           | (15,988)                           |
| Utilities                                 | 2,700                        | 2,541             | 159                                |
| Administrative                            | 16,950                       | 16,142            | 808                                |
| Other                                     | 48,275                       | 87,954            | (39,679)                           |
| Total Expenditures                        | <u>644,400</u>               | <u>918,629</u>    | <u>(274,229)</u>                   |
| <b>Revenues Over/(Under) Expenditures</b> | 4,100                        | (64,480)          | (68,580)                           |
| <b>Fund Balance</b>                       |                              |                   |                                    |
| Beginning of the year                     | <u>689,524</u>               | <u>689,524</u>    |                                    |
| End of the year                           | <u>\$ 693,624</u>            | <u>\$ 625,044</u> | <u>\$ (68,580)</u>                 |

*Harris County Municipal Utility District No. 537*  
*Notes to Required Supplementary Information*  
*May 31, 2023*

**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 County Municipal Utility District No. 537**  
**TSI-1. Services and Rates**  
**May 31, 2023**

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

- |   |   |   |  |
|---|---|---|--|
| <input checked="" type="checkbox"/> Retail Water  | <input type="checkbox"/> Wholesale Water      | <input checked="" type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" 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 type="checkbox"/> Participates in joint venture, regional system and/or wastewater service |   |   |  |
| <input type="checkbox"/> Other (Specify): _____   |   |   |  |

2. Retail Service Providers

a. Retail Rates for a 1" meter (or equivalent):

|             | Minimum Charge | Usage Levels       | Flat Rate (Y/N) | Rate per 1,000 Gallons Over Minimum Usage |
|-------------|----------------|--------------------|-----------------|---|
| Water:      | \$ 7.99        | 0 to 1,000         | Y               |   |
|             | 13.01          | 1,001 to 2,000     | Y               |   |
|             | 14.51          | 2,001 to 3,000     | Y               |   |
|             | 28.95          | 3,001 to 4,000     | Y               |   |
|             | 34.99          | 4,001 to 5,000     | Y               |   |
|             | 39.80          | 5,001 to 6,000     | Y               |   |
|             | 39.80          | 6,001 to 12,000    | N               | 6.43                                      |
|             | 78.38          | 12,001 to no limit | N               | 9.77                                      |
| Wastewater: | 15.12          | 0 to 1,000         | Y               |   |
|             | 16.86          | 1,001 to 2,000     | Y               |   |
|             | 18.53          | 2,001 to 3,000     | Y               |   |
|             | 33.54          | 3,001 to 4,000     | Y               |   |
|             | 40.92          | 4,001 to 5,000     | Y               |   |
|             | 50.27          | 5,001 to 6,000     | Y               |   |
|             | 50.27          | 6,001 to no limit  | N               | 9.34                                      |

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 65.52 Wastewater \$ 87.63

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"               | 448               | 320                | x 2.5       | 800           |
| 1.5"             |                   |                    | x 5.0       |               |
| 2"               |                   |                    | x 8.0       |               |
| 3"               |                   |                    | x 15.0      |               |
| 4"               |                   |                    | x 25.0      |               |
| Total Water      | 448               | 428                |             | 800           |
| Total Wastewater | 445               | 425                | x 1.0       | 425           |

See accompanying auditor's report.

**Harris County Municipal Utility District No. 537**  
**TSI-1. Services and Rates**  
**May 31, 2023**

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

|                              |                   |                                      |
|------------------------------|-------------------|--------------------------------------|
| Gallons purchased from       | <u>23,307,000</u> | Water Accountability Ratio:          |
| City of Houston              |                   | (Gallons billed / Gallons purchased) |
| Gallons billed to customers: | <u>20,484,000</u> | <u>87.89%</u>                        |

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: Harris County

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

City(ies) in which the District is located: City of Houston

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
 Entirely  Partly  Not at all

ETJs in which the District is located: \_\_\_\_\_

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

If Yes, by whom? \_\_\_\_\_

See accompanying auditor's report.

*Harris County Municipal Utility District No. 537  
 TSI-2 General Fund Expenditures  
 For the Year Ended May 31, 2023*

|                               |                          |
|-------------------------------|--------------------------|
| Purchased services            | <u>\$ 336,849</u>        |
| Professional fees             |                          |
| Legal                         | 63,407                   |
| Audit                         | 13,500                   |
| Engineering                   | 23,777                   |
| Financial advisor             | 1,300                    |
|                               | <u>101,984</u>           |
| Contracted services           |                          |
| Bookkeeping                   | 10,837                   |
| Operator                      | 32,909                   |
| Garbage collection            | 66,327                   |
| Tap connection and inspection | 82,023                   |
|                               | <u>192,096</u>           |
| Repairs and maintenance       | <u>181,063</u>           |
| Utilities                     | <u>2,541</u>             |
| Administrative                |                          |
| Directors fees                | 5,850                    |
| Insurance                     | 8,452                    |
| Other                         | 1,840                    |
|                               | <u>16,142</u>            |
| Other                         | <u>87,954</u>            |
| Total expenditures            | <u><u>\$ 918,629</u></u> |

See accompanying auditor's report.

**Harris County Municipal Utility District No. 537**  
**TSI-4. Taxes Levied and Receivable**  
**May 31, 2023**

|   | Maintenance<br>Taxes | Debt Service<br>Taxes | Road Debt<br>Service Taxes | Totals         |
|---|----------------------|-----------------------|----------------------------|----------------|
| Taxes Receivable, Beginning of Year                 | \$ 8,543             | \$ 8,950              | \$ 2,847                   | \$ 20,340      |
| Adjustments to Prior Year Tax Levy                  | 1,744                | 1,852                 | 556                        | 4,152          |
| Adjusted Receivable                                 | 10,287               | 10,802                | 3,403                      | 24,492         |
| 2022 Original Tax Levy                              | 350,195              | 612,841               | 131,323                    | 1,094,359      |
| Adjustments   | 43,093               | 75,415                | 16,160                     | 134,668        |
| Adjusted Tax Levy                                   | 393,288              | 688,256               | 147,483                    | 1,229,027      |
| Total to be accounted for                           | 403,575              | 699,058               | 150,886                    | 1,253,519      |
| Tax collections:                                    |                      |                       |                            |                |
| Current year  | 389,359              | 681,381               | 146,010                    | 1,216,750      |
| Prior years   | 10,287               | 10,802                | 3,403                      | 24,492         |
| Total Collections                                   | 399,646              | 692,183               | 149,413                    | 1,241,242      |
| Taxes Receivable, End of Year                       | \$ 3,929             | \$ 6,875              | \$ 1,473                   | \$ 12,277      |
| Taxes Receivable, By Years                          |                      |                       |                            |                |
| 2022  | \$ 3,929             | \$ 6,875              | \$ 1,473                   | \$ 12,277      |
|   | 2022                 | 2021                  | 2020                       | 2019           |
| Property Valuations:                                |                      |                       |                            |                |
| Land  | \$ 112,387,043       | \$ 90,238,221         | \$ 91,709,376              | \$ 84,240,115  |
| Improvements  | 135,167,999          | 107,238,614           | 91,032,763                 | 59,323,602     |
| Personal Property                                   | 2,515,406            | 2,281,410             | 1,512,245                  | 865,368        |
| Exemptions  | (4,264,971)          | (3,768,613)           | (3,323,315)                | (2,786,740)    |
| Total Property Valuations                           | \$ 245,805,477       | \$ 195,989,632        | \$ 180,931,069             | \$ 141,642,345 |
| Tax Rates per \$100 Valuation:                      |                      |                       |                            |                |
| Maintenance tax rates                               | \$ 0.16              | \$ 0.21               | \$ 0.21                    | \$ 0.15        |
| Debt service tax rates                              | 0.28                 | 0.22                  | 0.23                       | 0.29           |
| Road debt service tax rates                         | 0.06                 | 0.07                  | 0.06                       | 0.06           |
| Total Tax Rates per \$100 Valuation                 | \$ 0.50              | \$ 0.50               | \$ 0.50                    | \$ 0.50        |
| Adjusted Tax Levy:                                  | \$ 1,229,027         | \$ 979,948            | \$ 904,655                 | \$ 708,212     |
| Percentage of Taxes Collected<br>to Taxes Levied ** | 99.00%               | 100.00%               | 100.00%                    | 100.00%        |

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 13, 2014

\*\* Maximum Park and Recreational Maintenance Tax Rate Approved by Voters: \$0.10 on November 13, 2014

See accompanying auditor's report.

*Harris County Municipal Utility District No. 537*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017--by Years*  
*May 31, 2023*

| Due During Fiscal<br>Years Ending | Principal Due<br>April 1 | Interest Due<br>October 1,<br>April 1 | Total               |
|-----------------------------------|--------------------------|---------------------------------------|---------------------|
| 2024                              | \$ 75,000                | \$ 92,875                             | \$ 167,875          |
| 2025                              | 75,000                   | 90,625                                | 165,625             |
| 2026                              | 75,000                   | 88,300                                | 163,300             |
| 2027                              | 100,000                  | 85,900                                | 185,900             |
| 2028                              | 100,000                  | 82,600                                | 182,600             |
| 2029                              | 100,000                  | 79,200                                | 179,200             |
| 2030                              | 100,000                  | 75,200                                | 175,200             |
| 2031                              | 100,000                  | 71,200                                | 171,200             |
| 2032                              | 100,000                  | 67,200                                | 167,200             |
| 2033                              | 125,000                  | 63,200                                | 188,200             |
| 2034                              | 125,000                  | 58,200                                | 183,200             |
| 2035                              | 125,000                  | 53,200                                | 178,200             |
| 2036                              | 125,000                  | 48,200                                | 173,200             |
| 2037                              | 125,000                  | 43,200                                | 168,200             |
| 2038                              | 150,000                  | 38,200                                | 188,200             |
| 2039                              | 150,000                  | 32,200                                | 182,200             |
| 2040                              | 150,000                  | 26,200                                | 176,200             |
| 2041                              | 150,000                  | 20,200                                | 170,200             |
| 2042                              | 175,000                  | 14,200                                | 189,200             |
| 2043                              | 180,000                  | 7,200                                 | 187,200             |
|                                   | <u>\$ 2,405,000</u>      | <u>\$ 1,137,300</u>                   | <u>\$ 3,542,300</u> |

See accompanying auditor's report.

*Harris County Municipal Utility District No. 537*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2018 Road--by Years*  
*May 31, 2023*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>April 1</u> | <u>Interest Due<br/>October 1,<br/>April 1</u> | <u>Total</u>        |
|---|----------------------------------|--|---------------------|
| 2024                                      | \$ 50,000                        | \$ 83,000                                      | \$ 133,000          |
| 2025                                      | 50,000                           | 81,500   | 131,500             |
| 2026                                      | 50,000                           | 80,000   | 130,000             |
| 2027                                      | 75,000                           | 78,438   | 153,438             |
| 2028                                      | 75,000                           | 76,000   | 151,000             |
| 2029                                      | 75,000                           | 73,468   | 148,468             |
| 2030                                      | 75,000                           | 70,844   | 145,844             |
| 2031                                      | 75,000                           | 68,218   | 143,218             |
| 2032                                      | 75,000                           | 65,594   | 140,594             |
| 2033                                      | 100,000                          | 62,876   | 162,876             |
| 2034                                      | 100,000                          | 59,250   | 159,250             |
| 2035                                      | 100,000                          | 55,500   | 155,500             |
| 2036                                      | 100,000                          | 51,750   | 151,750             |
| 2037                                      | 100,000                          | 47,876   | 147,876             |
| 2038                                      | 125,000                          | 44,000   | 169,000             |
| 2039                                      | 125,000                          | 39,000   | 164,000             |
| 2040                                      | 125,000                          | 34,000   | 159,000             |
| 2041                                      | 125,000                          | 29,000   | 154,000             |
| 2042                                      | 150,000                          | 24,000   | 174,000             |
| 2043                                      | 150,000                          | 18,000   | 168,000             |
| 2044                                      | 150,000                          | 12,000   | 162,000             |
| 2045                                      | 150,000                          | 6,000  | 156,000             |
|   | <u>\$ 2,200,000</u>              | <u>\$ 1,160,314</u>                            | <u>\$ 3,360,314</u> |

See accompanying auditor's report.

*Harris County Municipal Utility District No. 537*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020--by Years*  
*May 31, 2023*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>April 1</u> | <u>Interest Due<br/>October 1,<br/>April 1</u> | <u>Total</u>        |
|---|----------------------------------|--|---------------------|
| 2024                                      | \$ 50,000                        | \$ 56,175                                      | \$ 106,175          |
| 2025                                      | 50,000                           | 54,175   | 104,175             |
| 2026                                      | 50,000                           | 52,175   | 102,175             |
| 2027                                      | 50,000                           | 50,175   | 100,175             |
| 2028                                      | 50,000                           | 48,675   | 98,675              |
| 2029                                      | 50,000                           | 47,175   | 97,175              |
| 2030                                      | 75,000                           | 46,075   | 121,075             |
| 2031                                      | 75,000                           | 44,425   | 119,425             |
| 2032                                      | 75,000                           | 42,775   | 117,775             |
| 2033                                      | 75,000                           | 40,975   | 115,975             |
| 2034                                      | 75,000                           | 39,175   | 114,175             |
| 2035                                      | 75,000                           | 37,375   | 112,375             |
| 2036                                      | 100,000                          | 35,500   | 135,500             |
| 2037                                      | 100,000                          | 33,000   | 133,000             |
| 2038                                      | 100,000                          | 30,000   | 130,000             |
| 2039                                      | 100,000                          | 27,000   | 127,000             |
| 2040                                      | 100,000                          | 24,000   | 124,000             |
| 2041                                      | 100,000                          | 21,000   | 121,000             |
| 2042                                      | 100,000                          | 18,000   | 118,000             |
| 2043                                      | 125,000                          | 15,000   | 140,000             |
| 2044                                      | 125,000                          | 11,250   | 136,250             |
| 2045                                      | 125,000                          | 7,500  | 132,500             |
| 2046                                      | 125,000                          | 3,750  | 128,750             |
|   | <u>\$ 1,950,000</u>              | <u>\$ 785,350</u>                              | <u>\$ 2,735,350</u> |

See accompanying auditor's report.



*Harris County Municipal Utility District No. 537*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2021 Refunding--by Years*  
*May 31, 2023*

| Due During Fiscal<br>Years Ending | Principal Due<br>April 1 | Interest Due<br>October 1,<br>April 1 | Total               |
|-----------------------------------|--------------------------|---------------------------------------|---------------------|
| 2024                              | \$ 150,000               | \$ 81,556                             | \$ 231,556          |
| 2025                              | 145,000                  | 78,557                                | 223,557             |
| 2026                              | 145,000                  | 75,656                                | 220,656             |
| 2027                              | 145,000                  | 72,756                                | 217,756             |
| 2028                              | 170,000                  | 69,856                                | 239,856             |
| 2029                              | 170,000                  | 66,457                                | 236,457             |
| 2030                              | 170,000                  | 63,056                                | 233,056             |
| 2031                              | 165,000                  | 59,656                                | 224,656             |
| 2032                              | 165,000                  | 56,356                                | 221,356             |
| 2033                              | 190,000                  | 53,057                                | 243,057             |
| 2034                              | 185,000                  | 49,256                                | 234,256             |
| 2035                              | 185,000                  | 45,556                                | 230,556             |
| 2036                              | 205,000                  | 41,856                                | 246,856             |
| 2037                              | 200,000                  | 37,500                                | 237,500             |
| 2038                              | 200,000                  | 33,251                                | 233,251             |
| 2039                              | 220,000                  | 28,750                                | 248,750             |
| 2040                              | 220,000                  | 23,800                                | 243,800             |
| 2041                              | 240,000                  | 18,575                                | 258,575             |
| 2042                              | 255,000                  | 12,875                                | 267,875             |
| 2043                              | 260,000                  | 6,500                                 | 266,500             |
|                                   | <u>\$ 3,785,000</u>      | <u>\$ 974,882</u>                     | <u>\$ 4,759,882</u> |

See accompanying auditor's report.

*Harris County Municipal Utility District No. 537  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2021A--by Years  
 May 31, 2023*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>April 1</u> | <u>Interest Due<br/>October 1,<br/>April 1</u> | <u>Total</u>        |
|---|----------------------------------|--|---------------------|
| 2024                                      | \$ 75,000                        | \$ 77,813                                      | \$ 152,813          |
| 2025                                      | 75,000                           | 74,438   | 149,438             |
| 2026                                      | 75,000                           | 71,063   | 146,063             |
| 2027                                      | 75,000                           | 67,688   | 142,688             |
| 2028                                      | 75,000                           | 64,688   | 139,688             |
| 2029                                      | 100,000                          | 61,688   | 161,688             |
| 2030                                      | 100,000                          | 57,688   | 157,688             |
| 2031                                      | 100,000                          | 54,688   | 154,688             |
| 2032                                      | 100,000                          | 52,688   | 152,688             |
| 2033                                      | 100,000                          | 50,688   | 150,688             |
| 2034                                      | 100,000                          | 48,688   | 148,688             |
| 2035                                      | 125,000                          | 46,688   | 171,688             |
| 2036                                      | 125,000                          | 44,188   | 169,188             |
| 2037                                      | 125,000                          | 41,531   | 166,531             |
| 2038                                      | 125,000                          | 38,875   | 163,875             |
| 2039                                      | 125,000                          | 36,063   | 161,063             |
| 2040                                      | 125,000                          | 33,250   | 158,250             |
| 2041                                      | 150,000                          | 30,281   | 180,281             |
| 2042                                      | 150,000                          | 26,719   | 176,719             |
| 2043                                      | 150,000                          | 23,156   | 173,156             |
| 2044                                      | 150,000                          | 19,594   | 169,594             |
| 2045                                      | 150,000                          | 16,031   | 166,031             |
| 2046                                      | 175,000                          | 12,469   | 187,469             |
| 2047                                      | 175,000                          | 8,313  | 183,313             |
| 2048                                      | 175,000                          | 4,156  | 179,156             |
|   | <u>\$ 3,000,000</u>              | <u>\$ 1,063,132</u>                            | <u>\$ 4,063,132</u> |

See accompanying auditor's report.

*Harris County Municipal Utility District No. 537*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2022--by Years*  
*May 31, 2023*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>April 1</u> | <u>Interest Due<br/>October 1,<br/>April 1</u> | <u>Total</u>        |
|---|----------------------------------|--|---------------------|
| 2024                                      | \$ 45,000                        | \$ 107,050                                     | \$ 152,050          |
| 2025                                      | 45,000                           | 103,900  | 148,900             |
| 2026                                      | 50,000                           | 100,750  | 150,750             |
| 2027                                      | 50,000                           | 97,000   | 147,000             |
| 2028                                      | 55,000                           | 93,500   | 148,500             |
| 2029                                      | 55,000                           | 90,750   | 145,750             |
| 2030                                      | 60,000                           | 88,000   | 148,000             |
| 2031                                      | 60,000                           | 85,000   | 145,000             |
| 2032                                      | 65,000                           | 82,000   | 147,000             |
| 2033                                      | 65,000                           | 78,750   | 143,750             |
| 2034                                      | 70,000                           | 75,500   | 145,500             |
| 2035                                      | 75,000                           | 72,000   | 147,000             |
| 2036                                      | 75,000                           | 68,250   | 143,250             |
| 2037                                      | 80,000                           | 64,500   | 144,500             |
| 2038                                      | 85,000                           | 60,500   | 145,500             |
| 2039                                      | 90,000                           | 56,250   | 146,250             |
| 2040                                      | 95,000                           | 51,750   | 146,750             |
| 2041                                      | 100,000                          | 47,000   | 147,000             |
| 2042                                      | 105,000                          | 42,000   | 147,000             |
| 2043                                      | 110,000                          | 36,750   | 146,750             |
| 2044                                      | 115,000                          | 31,250   | 146,250             |
| 2045                                      | 120,000                          | 25,500   | 145,500             |
| 2046                                      | 125,000                          | 19,500   | 144,500             |
| 2047                                      | 130,000                          | 13,250   | 143,250             |
| 2048                                      | 135,000                          | 6,750  | 141,750             |
|   | <u>\$ 2,060,000</u>              | <u>\$ 1,597,450</u>                            | <u>\$ 3,657,450</u> |

See accompanying auditor's report.

*Harris County Municipal Utility District No. 537*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*May 31, 2023*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>April 1</u> | <u>Interest Due<br/>October 1,<br/>April 1</u> | <u>Total</u>         |
|---|----------------------------------|--|----------------------|
| 2024                                      | \$ 445,000                       | \$ 498,469                                     | \$ 943,469           |
| 2025                                      | 440,000                          | 483,195  | 923,195              |
| 2026                                      | 445,000                          | 467,944  | 912,944              |
| 2027                                      | 495,000                          | 451,957  | 946,957              |
| 2028                                      | 525,000                          | 435,319  | 960,319              |
| 2029                                      | 550,000                          | 418,738  | 968,738              |
| 2030                                      | 580,000                          | 400,863  | 980,863              |
| 2031                                      | 575,000                          | 383,187  | 958,187              |
| 2032                                      | 580,000                          | 366,613  | 946,613              |
| 2033                                      | 655,000                          | 349,546  | 1,004,546            |
| 2034                                      | 655,000                          | 330,069  | 985,069              |
| 2035                                      | 685,000                          | 310,319  | 995,319              |
| 2036                                      | 730,000                          | 289,744  | 1,019,744            |
| 2037                                      | 730,000                          | 267,607  | 997,607              |
| 2038                                      | 785,000                          | 244,826  | 1,029,826            |
| 2039                                      | 810,000                          | 219,263  | 1,029,263            |
| 2040                                      | 815,000                          | 193,000  | 1,008,000            |
| 2041                                      | 865,000                          | 166,056  | 1,031,056            |
| 2042                                      | 935,000                          | 137,794  | 1,072,794            |
| 2043                                      | 975,000                          | 106,606  | 1,081,606            |
| 2044                                      | 540,000                          | 74,094   | 614,094              |
| 2045                                      | 545,000                          | 55,031   | 600,031              |
| 2046                                      | 425,000                          | 35,719   | 460,719              |
| 2047                                      | 305,000                          | 21,563   | 326,563              |
| 2048                                      | 310,000                          | 10,906   | 320,906              |
|   | <u>\$ 15,400,000</u>             | <u>\$ 6,718,428</u>                            | <u>\$ 22,118,428</u> |

See accompanying auditor's report.

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**Harris County Municipal Utility District No. 537**  
**TSI-6. Change in Long-Term Bonded Debt**  
**May 31, 2023**

|                                  | Bond Issue   |                     |                     |                     |
|----------------------------------|--|---------------------|---------------------|---------------------|
|                                  | Series 2016  | Series 2017         | Series 2018<br>Road | Series 2020         |
| Interest rate                    | 2.00% - 3.75%  | 2.25% - 4.00%       | 3.00% - 4.00%       | 2.20% - 4.00%       |
| Dates interest payable           | 10/1 - 4/1   | 10/1 - 4/1          | 10/1 - 4/1          | 10/1 - 4/1          |
| Maturity dates                   | 4/1/18 - 4/1/43  | 4/1/21 - 4/1/43     | 4/1/22 - 4/1/45     | 4/1/22 - 4/1/46     |
| Beginning bonds outstanding      | \$ 100,000   | \$ 2,480,000        | \$ 2,250,000        | \$ 1,975,000        |
| Bonds issued                     |  |                     |                     |                     |
| Bonds retired                    | (100,000)  | (75,000)            | (50,000)            | (25,000)            |
| Ending bonds outstanding         | <u>\$ -</u>  | <u>\$ 2,405,000</u> | <u>\$ 2,200,000</u> | <u>\$ 1,950,000</u> |
| Interest paid during fiscal year | <u>\$ 2,400</u>  | <u>\$ 94,938</u>    | <u>\$ 84,500</u>    | <u>\$ 57,175</u>    |
| Paying agent's name and city     |  |                     |                     |                     |
| Series 2020 and 2021 Refunding   | <u>The Bank of New York Mellon Trust Company, N.A., Dallas, TX</u> |                     |                     |                     |
| All other Series                 | <u>ZB, National Association, dba Amegy Bank, Houston, Texas</u>    |                     |                     |                     |

|                             | Water, Sewer and<br>Drainage Bonds | Water, Sewer and<br>Drainage<br>Refunding Bonds | Parks and<br>Recreational<br>Bonds | Parks and<br>Recreational<br>Refunding Bonds |
|-----------------------------|------------------------------------|---|------------------------------------|--|
| Bond Authority:             |                                    |   |                                    |  |
| Amount Authorized by Voters | \$ 38,000,000                      | \$ 57,000,000                                   | \$ 12,000,000                      | \$ 18,000,000                                |
| Amount Issued               | (13,910,000)                       | (3,830,000)                                     |                                    |  |
| Remaining To Be Issued      | <u>\$ 24,090,000</u>               | <u>\$ 53,170,000</u>                            | <u>\$ 12,000,000</u>               | <u>\$ 18,000,000</u>                         |

|                             | Road<br>Improvement<br>Bonds | Road Refunding<br>Bonds |
|-----------------------------|------------------------------|-------------------------|
| Bond Authority:             |                              |                         |
| Amount Authorized by Voters | \$ 7,500,000                 | \$ 11,250,000           |
| Amount Issued               | (2,300,000)                  |                         |
| Remaining To Be Issued      | <u>\$ 5,200,000</u>          | <u>\$ 11,250,000</u>    |

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

|  |                   |
|--|-------------------|
| Debt Service Fund cash and investment balances as of May 31, 2023:                           | <u>\$ 654,257</u> |
| Average annual debt service payment (principal and interest) for remaining term of all debt: | <u>\$ 884,737</u> |

See accompanying auditor's report.

Bond Issue

| Series 2021<br>Refunding | Series 2021A        | Series 2022         | Totals               |
|--------------------------|---------------------|---------------------|----------------------|
| 2.00% - 2.50%            | 2.00% - 4.50%       | 5.00% - 7.50%       |                      |
| 10/1 - 4/1               | 10/1 - 4/1          | 10/1 - 4/1          |                      |
| 4/1/22 - 4/1/43          | 4/1/24 - 4/1/48     | 4/1/24 - 4/1/48     |                      |
| \$ 3,810,000             | \$ 3,000,000        | \$ -                | \$ 13,615,000        |
|                          |                     | 2,060,000           | 2,060,000            |
| (25,000)                 |                     |                     | (275,000)            |
| <u>\$ 3,785,000</u>      | <u>\$ 3,000,000</u> | <u>\$ 2,060,000</u> | <u>\$ 15,400,000</u> |
| <u>\$ 82,056</u>         | <u>\$ 77,813</u>    | <u>\$ 44,604</u>    | <u>\$ 443,486</u>    |

**Harris County Municipal Utility District No. 537**  
**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund**  
**For the Last Five Fiscal Years**

|  | Amounts            |                   |                   |                  |                  |
|--|--------------------|-------------------|-------------------|------------------|------------------|
|  | 2023               | 2022              | 2021              | 2020             | 2019             |
| Revenues                                   |                    |                   |                   |                  |                  |
| Water service                              | \$ 127,764         | \$ 88,693         | \$ 74,752         | \$ 64,222        | \$ 53,119        |
| Sewer service                              | 166,799            | 108,888           | 93,709            | 84,493           | 66,262           |
| Property taxes                             | 399,610            | 427,507           | 356,363           | 220,650          | 168,258          |
| Penalties and interest                     | 5,564              | 4,013             | 3,110             | 3,578            | 3,228            |
| Tap connection and inspection              | 126,140            | 133,000           | 78,000            | 73,133           | 53,061           |
| Miscellaneous                              | 11,536             | 8,905             | 6,134             | 7,966            | 12,368           |
| Investment earnings                        | 16,736             |                   |                   |                  |                  |
| Total Revenues                             | <u>854,149</u>     | <u>771,006</u>    | <u>612,068</u>    | <u>454,042</u>   | <u>356,296</u>   |
| Expenditures                               |                    |                   |                   |                  |                  |
| Current service operations                 |                    |                   |                   |                  |                  |
| Purchased services                         | 336,849            | 165,539           | 124,905           | 98,654           | 107,774          |
| Professional fees                          | 101,984            | 77,578            | 79,751            | 90,192           | 90,968           |
| Contracted services                        | 192,096            | 128,788           | 86,034            | 67,301           | 50,205           |
| Repairs and maintenance                    | 181,063            | 199,354           | 105,684           | 70,296           | 62,536           |
| Utilities                                  | 2,541              | 2,397             | 2,295             | 2,481            | 2,605            |
| Administrative                             | 16,142             | 14,940            | 15,776            | 13,626           | 10,943           |
| Other                                      | 87,954             | 6,411             | 9,435             | 3,314            | 6,379            |
| Capital outlay                             |                    |                   |                   | 25,045           |                  |
| Total Expenditures                         | <u>918,629</u>     | <u>595,007</u>    | <u>423,880</u>    | <u>370,909</u>   | <u>331,410</u>   |
| Revenues Over/(Under) Expenditures         | <u>\$ (64,480)</u> | <u>\$ 175,999</u> | <u>\$ 188,188</u> | <u>\$ 83,133</u> | <u>\$ 24,886</u> |
| Total Active Retail Water Connections      | <u>428</u>         | <u>320</u>        | <u>264</u>        | <u>210</u>       | <u>156</u>       |
| Total Active Retail Wastewater Connections | <u>425</u>         | <u>317</u>        | <u>264</u>        | <u>210</u>       | <u>156</u>       |

\*Percentage is negligible

See accompanying auditor's report.



Percent of Fund Total Revenues

| 2023 | 2022 | 2021 | 2020 | 2019 |
|------|------|------|------|------|
| 15%  | 12%  | 12%  | 13%  | 15%  |
| 20%  | 14%  | 15%  | 19%  | 19%  |
| 46%  | 55%  | 58%  | 49%  | 47%  |
| 1%   | 1%   | 1%   | 1%   | 1%   |
| 15%  | 17%  | 13%  | 16%  | 15%  |
| 1%   | 1%   | 1%   | 2%   | 3%   |
| 2%   |      |      |      |      |
| 100% | 100% | 100% | 100% | 100% |
| 39%  | 21%  | 20%  | 22%  | 30%  |
| 12%  | 10%  | 13%  | 20%  | 26%  |
| 22%  | 17%  | 14%  | 15%  | 14%  |
| 21%  | 26%  | 17%  | 15%  | 18%  |
| *    | *    | *    | 1%   | 1%   |
| 2%   | 2%   | 3%   | 3%   | 3%   |
| 10%  | 1%   | 2%   | 1%   | 2%   |
|      |      |      | 6%   |      |
| 106% | 77%  | 69%  | 83%  | 94%  |
| (6%) | 23%  | 31%  | 17%  | 6%   |

**Harris County Municipal Utility District No. 537**  
**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund**  
**For the Last Five Fiscal Years**

|                                    | Amounts           |                    |                     |                  |                  |
|------------------------------------|-------------------|--------------------|---------------------|------------------|------------------|
|                                    | 2023              | 2022               | 2021                | 2020             | 2019             |
| Revenues                           |                   |                    |                     |                  |                  |
| Property taxes                     | \$ 840,410        | \$ 582,606         | \$ 502,375          | \$ 517,419       | \$ 431,826       |
| Penalties and interest             | 14,731            | 19,766             | 5,203               | 10,090           | 5,611            |
| Miscellaneous                      | 668               | 1,478              | 1,579               | 5,214            | 4,482            |
| Investment earnings                | 1,773             |                    |                     |                  |                  |
| Total Revenues                     | <u>857,582</u>    | <u>603,850</u>     | <u>509,157</u>      | <u>532,723</u>   | <u>441,919</u>   |
| Expenditures                       |                   |                    |                     |                  |                  |
| Tax collection services            | 27,685            | 27,358             | 22,528              | 20,846           | 13,361           |
| Debt service                       |                   |                    |                     |                  |                  |
| Principal                          | 275,000           | 270,000            | 175,000             | 100,000          | 100,000          |
| Interest and fees                  | 438,909           | 376,670            | 377,771             | 318,224          | 296,044          |
| Debt issuance costs                |                   |                    | 207,399             |                  |                  |
| Total Expenditures                 | <u>741,594</u>    | <u>674,028</u>     | <u>782,698</u>      | <u>439,070</u>   | <u>409,405</u>   |
| Revenues Over/(Under) Expenditures | <u>\$ 115,988</u> | <u>\$ (70,178)</u> | <u>\$ (273,541)</u> | <u>\$ 93,653</u> | <u>\$ 32,514</u> |

\*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

| 2023 | 2022  | 2021  | 2020 | 2019 |
|------|-------|-------|------|------|
| 98%  | 97%   | 99%   | 97%  | 98%  |
| 2%   | 3%    | 1%    | 2%   | 1%   |
| *    | *     | *     | 1%   | 1%   |
| *    |       |       |      |      |
| 100% | 100%  | 100%  | 100% | 100% |
| 3%   | 5%    | 4%    | 4%   | 3%   |
| 32%  | 45%   | 34%   | 19%  | 23%  |
| 51%  | 62%   | 74%   | 60%  | 67%  |
|      |       | 41%   |      |      |
| 86%  | 112%  | 153%  | 83%  | 93%  |
| 14%  | (12%) | (53%) | 17%  | 7%   |

**Harris County Municipal Utility District No. 537**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended May 31, 2023**

Complete District Mailing Address: 1980 Post Oak Blvd, Suite 1380 Houston, TX 77056-3970  
District Business Telephone Number: (713) 850-9000  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): June 22, 2022  
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<br>(Elected or<br>Appointed) or<br>Date Hired | Fees of<br>Office Paid<br>* | Expense<br>Reimburse-<br>ments | Title at Year End          |
|---|--|-----------------------------|--------------------------------|----------------------------|
| <b>Board Members</b>  |  |                             |                                |                            |
| Allen Watson  | 05/22 - 05/26  | \$ 1,050                    | \$ -                           | President                  |
| Beatriz Armendarez  | 05/20 - 05/24  | 1,050                       |                                | Vice President             |
| Tony Sartori  | 05/22 - 05/26  | 1,350                       |                                | Secretary                  |
| James Balock  | 05/22 - 05/26  | 1,350                       |                                | Assistant Secretary        |
| Nancy Turner  | 05/20 - 05/24  | 1,050                       |                                | Assistant Secretary        |
| <b>Consultants</b>  |  |                             |                                |                            |
|   |  | <u>Amounts<br/>Paid</u>     |                                |                            |
| Sanford Kuhl Hagan Kugle<br>Parker Kahn LLP<br><i>General legal fees</i><br><i>Bond counsel</i> | 07/2014  | \$ 57,371<br>57,607         |                                | Attorney                   |
| Perdue Brandon Fielder Mott & Collins   | 2023   | 3,538                       |                                | Delinquent Tax<br>Attorney |
| Si Environmental<br>(formerly T.O.P.S.)   | 04/2018  | 289,227                     |                                | Operator                   |
| L&S District Services   | 06/2014  | 12,625                      |                                | Bookkeeper                 |
| Bob Leared Interests  | 08/2014  | 8,132                       |                                | Tax Collector              |
| Harris Central Appraisal District   | Legislation  | 8,947                       |                                | Property Valuation         |
| Brown & Gay Engineers, Inc.   | 07/2014  | 46,417                      |                                | Engineer                   |
| Norton Rose Fulbright   |  | 7,500                       |                                | Bond Counsel               |
| McGrath & Co., PLLC   | 06/2015  | 21,500                      |                                | Auditor                    |
| The GMS Group, L.L.C.   | 08/2014  | 43,385                      |                                | Financial Advisor          |

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

See accompanying auditor's report.