

**Waller County Municipal Utility District No. 35**  
**Waller County, Texas**

**Independent Auditor's Report and Financial Statements**

**May 31, 2022**

---

**Waller County Municipal Utility District No. 35**  
**May 31, 2022**

**Contents**

<b>Independent Auditor's Report.....</b>	<b>1</b>
<b>Management's Discussion and Analysis.....</b>	<b>4</b>
<b>Basic Financial Statements</b>	
Statement of Net Position and Governmental Fund Balance Sheet.....	8
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance .....	9
Notes to Financial Statements.....	10
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund.....	18
Notes to Required Supplementary Information .....	19
<b>Supplementary Information (Not Subjected to Audit Procedures)</b>	
Other Schedules Included Within This Report .....	20
Schedule of Services.....	21
Schedule of General Fund Expenditures.....	22
Schedule of Revenues and Expenditures – General Fund .....	23
Board Members, Key Personnel and Consultants.....	24



2700 Post Oak Boulevard, Suite 1500 / Houston, TX 77056

P 713.499.4600 / F 713.499.4699

[forvis.com](http://forvis.com)

## Independent Auditor's Report

Board of Directors  
Waller County Municipal Utility District No. 35  
Waller County, Texas

### ***Opinions***

We have audited the financial statements of the governmental activities and general fund of Waller County Municipal Utility District No. 35 (the District), as of and for the period from inception (June 10, 2019) to May 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the District, as of May 31, 2022, and the respective changes in financial position thereof for the period from inception (June 10, 2019) to May 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance

and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 (Not Subjected to Audit Procedures)***

Our audit was performed for the purpose of forming opinions on the basic financial statements as a whole. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**FORVIS,LLP**

Houston, Texas  
November 4, 2022

# **Waller County Municipal Utility District No. 35**

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

### **May 31, 2022**

#### **Overview of the Financial Statements**

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

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

#### **Government-wide Financial Statements**

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

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

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

**Waller County Municipal Utility District No. 35**  
**Management's Discussion and Analysis (Continued)**  
**May 31, 2022**

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

**Fund Financial Statements**

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

**Governmental Fund**

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

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

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

**Notes to Financial Statements**

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

**Waller County Municipal Utility District No. 35**  
**Management's Discussion and Analysis (Continued)**  
**May 31, 2022**

**Financial Analysis of the District as a Whole**

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

**Summary of Net Position**

Current and other assets	\$ 6,488
Long-term liabilities	\$ 87,000
Other liabilities	24,873
Total liabilities	111,873
Unrestricted net position	\$ (105,385)

The total net position of the District decreased by \$105,385. The majority of the decrease in net position is related to service operations expenses incurred in the current period.

**Summary of Changes in Net Position**

Expenses:	
Services	\$ 105,385
Change in net position	(105,385)
Net position, beginning of period	-
Net position, end of period	\$ (105,385)

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

The general fund's fund balance decreased by \$18,385, due to service operations expenditures exceeding developer advances received.

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to professional fees expenditures and developer advances received being less than anticipated. The fund balance as of May 31, 2022, was expected to be \$0 and the actual end-of-period fund balance was \$(18,385).



**Waller County Municipal Utility District No. 35**  
**Management's Discussion and Analysis (Continued)**  
**May 31, 2022**

**Long-term Liabilities**

Debt

The changes in the debt position of the District during the period from inception (June 10, 2019) to May 31, 2022, are summarized as follows:

Long-term debt payable, beginning of period	\$ -
Increases in long-term debt	<u>87,000</u>
Long-term debt payable, end of period	<u>\$ 87,000</u>

At May 31, 2022, the District had \$290,905,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, \$131,600,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing roads and \$64,650,000 of unlimited tax bonds authorized, but unissued, for the purposes of constructing park and recreational facilities.

**Other Relevant Factors**

Relationship to the City of Houston

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

Economic Dependency

The District's developers own the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developers' ability to pay future property taxes.

Since inception, the developers have advanced \$87,000 to the District for operations. The District does not have sufficient funds nor anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

**Waller County Municipal Utility District No. 35**  
**Statement of Net Position and Governmental Fund Balance Sheet**  
**May 31, 2022**

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash	\$ 3,972	\$ -	\$ 3,972
Prepaid expenditures	2,516	-	2,516
Total assets	\$ 6,488	\$ 0	\$ 6,488
<b>Liabilities</b>			
Accounts payable	\$ 24,873	\$ -	\$ 24,873
Long-term liabilities, due after one year	-	87,000	87,000
Total liabilities	24,873	87,000	111,873
<b>Fund Balance/Net Position</b>			
Fund balance (deficit):			
Nonspendable, prepaid expenditures	2,516	(2,516)	-
Unassigned fund balance (deficit)	(20,901)	20,901	-
Total fund balance (deficit)	(18,385)	18,385	0
Total liabilities and fund balance	\$ 6,488		
Unrestricted net position		\$ (105,385)	\$ (105,385)

**Waller County Municipal Utility District No. 35**  
**Statement of Activities and Governmental Fund Revenues,**  
**Expenditures and Changes in Fund Balance**  
**Period From Inception (June 10, 2019) to May 31, 2022**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Expenditures/Expenses</b>			
Service operations:			
Professional fees	\$ 70,833	\$ -	\$ 70,833
Contracted services	7,356	-	7,356
Other expenditures	27,196	-	27,196
	<u>105,385</u>	<u>0</u>	<u>105,385</u>
<b>Deficiency of Revenues Over Expenditures</b>	(105,385)	-	
<b>Other Financing Sources</b>			
Developer advances received	<u>87,000</u>	<u>(87,000)</u>	
<b>Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	(18,385)	18,385	
<b>Change in Net Position</b>		(105,385)	(105,385)
<b>Fund Balance (Deficit)/Net Position</b>			
Beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
End of period	<u>\$ (18,385)</u>	<u>\$ 0</u>	<u>\$ (105,385)</u>

# Waller County Municipal Utility District No. 35

## Notes to Financial Statements

May 31, 2022

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

Waller County Municipal Utility District No. 35 (the District), was created by House Bill No. 3209 (the Bill) of the 86<sup>th</sup> Session of the Texas Legislature of the State of Texas, effective June 10, 2019, in accordance with the provisions of Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and Article XVI, Section 59 of the Constitution of the State of Texas and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, park, road and other facilities and to provide such facilities and services to the customers of the District.

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

#### **Reporting Entity**

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

#### **Government-wide and Fund Financial Statements**

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

# Waller County Municipal Utility District No. 35

## Notes to Financial Statements

May 31, 2022

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

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

The District presents the following major governmental fund:

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

### **Fund Balance – Governmental Fund**

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

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

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

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

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

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

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

**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2022**

***Measurement Focus and Basis of Accounting***

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

***Deferred Outflows and Inflows of Resources***

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

***Pension Costs***

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

# Waller County Municipal Utility District No. 35

## Notes to Financial Statements

May 31, 2022

### ***Use of Estimates***

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

### ***Investments and Investment Income***

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

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

### ***Property Taxes***

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

During the period from inception (June 10, 2019) to May 31, 2022, the District did not levy any ad valorem taxes.

### ***Capital Assets***

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

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

**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2022**

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

	<b>Years</b>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Park and recreational facilities	10-30
Road and paving facilities	10-30

***Long-term Obligations***

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

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

***Net Position/Fund Balance***

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

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

***Reconciliation of Government-wide and Fund Financial Statements***

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

Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	<u style="text-decoration: underline double;">\$ (87,000)</u>
---	---



**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2022**

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

Change in fund balance.	\$ (18,385)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	(87,000)
Change in net position of governmental activities.	\$ (105,385)

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

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

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

At May 31, 2022, none of the District's bank balances were exposed to custodial credit risk.

***Investments***

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

**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2022**

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

At May 31, 2022, the District had no investments.

**Note 3: Long-term Liabilities**

Changes in long-term liabilities for the period from inception (June 10, 2019) to May 31, 2022, were as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Period</b>	<b>Increases</b>	<b>Balances, End of Period</b>	<b>Amounts Due in One Year</b>
Due to developers - advances	\$ 0	\$ 87,000	\$ 87,000	\$ 0
Bonds voted:				
Water, sanitary sewer and drainage facilities				\$ 290,905,000
Park and recreational facilities				64,650,000
Road facilities				131,600,000
Refunding bonds voted:				
Water, sanitary sewer and drainage facilities				290,905,000
Park and recreational facilities				64,650,000
Road facilities				131,600,000

**Note 4: Maintenance Taxes**

At an election held November 2, 2021, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the period from inception (June 10, 2019) to May 31, 2022, the District did not levy an ad valorem maintenance tax for the 2021 tax year. The maintenance tax will be used by the general fund to pay expenditures of operating the District.

**Note 5: Financing and Operation of Regional Facilities**

On August 10, 2021, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the Contract) with Harris-Waller Counties Municipal Utility District No. 4 (the Master District), whereby the Master District agrees to provide, or cause to be provided, the regional water, wastewater, drainage and road facilities necessary to serve all participating districts located within the Master District's service area.

# **Waller County Municipal Utility District No. 35**

## **Notes to Financial Statements**

### **May 31, 2022**

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

Upon commencement of services, the Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The term of the Contract is 40 years. For the period from inception (June 10, 2019) to May 31, 2022, the District did not incur any fees related to the Contract.

The Master District is authorized to issue contract revenues bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts in the Master District's service area. The District shall contribute annually to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. As of May 31, 2022, the Master District has not issued any bonds.

#### **Note 6: Risk Management**

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

#### **Note 7: Economic Dependency**

The District's developers own the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developers' ability to pay future property taxes.

Since inception, the developers have advanced \$87,000 to the District for operations. The District does not have sufficient funds nor anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

#### **Note 8: Deficit Fund Balance**

At May 31, 2022, the District's general fund had a deficit fund balance of \$18,385. The District anticipates that growth within the District will generate revenues sufficient to pay costs of operating the District.

## **Required Supplementary Information**

**Waller County Municipal Utility District No. 35**  
**Budgetary Comparison Schedule – General Fund**  
**Period From Inception (June 10, 2019) to May 31, 2022**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Expenditures</b>			
Service operations:			
Professional fees	\$ 115,000	\$ 70,833	\$ 44,167
Contracted services	5,000	7,356	(2,356)
Other expenditures	23,700	27,196	(3,496)
Total expenditures	143,700	105,385	38,315
<b>Deficiency of Revenues Over Expenditures</b>	(143,700)	(105,385)	38,315
<b>Other Financing Sources</b>			
Developer advances received	143,700	87,000	(56,700)
<b>Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	-	(18,385)	(18,385)
<b>Fund Balance, Beginning of Period</b>	-	-	-
<b>Fund Balance (Deficit), End of Period</b>	\$ 0	\$ (18,385)	\$ (18,385)

**Waller County Municipal Utility District No. 35**  
**Notes to Required Supplementary Information**  
**May 31, 2022**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the period and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2022.

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

**Supplementary Information  
(Not Subjected to Audit Procedures)**

**Waller County Municipal Utility District No. 35**  
**Other Schedules Included Within This Report**  
**May 31, 2022**

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

- Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 10-17
- Schedule of Services
- Schedule of General Fund Expenditures
- Schedule of Temporary Investments – Not Applicable
- Analysis of Taxes Levied and Receivable – Not Applicable
- Schedule of Long-term Debt Service Requirements by Years – Not Applicable
- Changes in Long-term Bonded Debt – Not Applicable
- Schedule of Revenues and Expenditures – General Fund
- Board Members, Key Personnel and Consultants



# Waller County Municipal Utility District No. 35

## Schedule of Services

Period From Inception (June 10, 2019) to May 31, 2022

1. Services to be provided by the District:

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

**Waller County Municipal Utility District No. 35**  
**Schedule of General Fund Expenditures**  
**Period From Inception (June 10, 2019) to May 31, 2022**

<b>Personnel (including benefits)</b>		\$ -
<b>Professional Fees</b>		
Auditing	\$ -	
Legal	42,189	
Engineering	28,644	
Financial advisor	-	
	-	70,833
<b>Purchased Services for Resale</b>		
Bulk water and wastewater service purchases		-
<b>Regional Water Fee</b>		-
<b>Contracted Services</b>		
Bookkeeping	7,356	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	-	
	-	7,356
<b>Utilities</b>		-
<b>Repairs and Maintenance</b>		-
<b>Administrative Expenditures</b>		
Directors' fees	4,050	
Office supplies	1,904	
Insurance	2,516	
Other administrative expenditures	18,726	
	18,726	27,196
<b>Capital Outlay</b>		
Capitalized assets	-	
Expenditures not capitalized	-	
	-	-
<b>Tap Connection Expenditures</b>		-
<b>Solid Waste Disposal</b>		-
<b>Fire Fighting</b>		-
<b>Parks and Recreation</b>		-
<b>Lease Expenditures</b>		-
Total expenditures		\$ 105,385

**Waller County Municipal Utility District No. 35**  
**Schedule of Revenues and Expenditures – General Fund**  
**Period From Inception (June 10, 2019) to May 31, 2022**

	<b>Amounts</b>	<b>Percent of Fund Total Revenues</b>
<b>General Fund</b>		
<b>Expenditures</b>		
Service operations:		
Professional fees	\$ 70,833	- *
Contracted services	7,356	-
Other expenditures	27,196	-
Total expenditures	105,385	0.0
<b>Deficiency of Revenues Over Expenditures</b>	(105,385)	0.0 %
<b>Other Financing Sources</b>		
Developer advances received	87,000	
<b>Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	(18,385)	
<b>Fund Balance, Beginning of Period</b>	-	
<b>Fund Balance (Deficit), End of Period</b>	\$ (18,385)	
<b>Total Active Retail Water Connections</b>	N/A	
<b>Total Active Retail Wastewater Connections</b>	N/A	

\*Percentages not meaningful.

**Waller County Municipal Utility District No. 35**  
**Board Members, Key Personnel and Consultants**  
**Period From Inception (June 10, 2019) to May 31, 2022**

Complete District mailing address:	Waller County Municipal Utility District No. 35 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		May 9, 2022
Limit on fees of office that a director may receive during a fiscal year:		\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Victoria A. Battistini	Elected 11/21- 05/24	\$ 1,200	\$ 162	President
Ryan C. Ward	Elected 11/21- 05/24	1,200	47	Vice President
Jaclyn Day	Elected 05/22- 05/26	750	103	Secretary
Daniel C. Feiler	Elected 11/21- 05/24	750	0	Assistant Secretary
Susan L. Skiles	Elected 11/21- 04/22	150	0	Resigned

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

**Waller County Municipal Utility District No. 35**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Period From Inception (June 10, 2019) to May 31, 2022**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Municipal Accounts & Consulting, L.P.	08/10/21	\$ 7,821	Bookkeeper
Municipal District Services, L.L.C.	04/11/22	0	Operator
Quiddity Engineering, LLC	08/10/21	28,644	Engineer
Robert W. Baird & Co. Incorporated	08/10/21	0	Financial Advisor
Schwartz, Page & Harding, L.L.P.	08/10/21	61,427	General Counsel
Waller County Appraisal District	Legislative Action	0	Appraiser
<b>Investment Officers</b>			
Mark Burton and Ghia Lewis	12/13/21	N/A	Bookkeepers