




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

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

May 31, 2024



**Waller County Municipal Utility District No. 35**  
**Contents**  
**May 31, 2024**

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## **Independent Auditor's Report**

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

### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of Waller County Municipal Utility District No. 35 (the District), as of and for the year ended May 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of May 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Forvis Mazars, LLP**

**Houston, Texas  
October 7, 2024**

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

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

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

### ***Fund Financial Statements***

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

**Governmental Funds**

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

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

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

**Notes to Financial Statements**

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

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

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

**Summary of Net Position**

	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 912,579	\$ 459,564
Capital assets	<u>7,214,729</u>	<u>3,203,324</u>
Total assets	<u>\$ 8,127,308</u>	<u>\$ 3,662,888</u>
Long-term liabilities	\$ 15,217,528	\$ 8,319,638
Other liabilities	<u>574,581</u>	<u>201,730</u>
Total liabilities	<u>15,792,109</u>	<u>8,521,368</u>
Net position:		
Net investment in capital assets	(659,066)	(5,116,314)
Restricted	1,081	-
Unrestricted	<u>(7,006,816)</u>	<u>257,834</u>
Total net position	<u>\$ (7,664,801)</u>	<u>\$ (4,858,480)</u>

The total net position of the District decreased by \$2,806,321, or about 58%. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance, as well as contractual obligation and debt service expenses. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Changes in Net Position**

	<u>2024</u>	<u>2023</u>
Revenues:		
Property taxes	\$ 551,664	\$ 180,151
Charges for services	398,740	96,737
Other revenues	516,504	320,936
Total revenues	<u>1,466,908</u>	<u>597,824</u>
Expenses:		
Services	1,190,403	367,581
Conveyance of capital assets	2,049,303	4,852,511
Depreciation	165,626	72,803
Contractual obligation	399,993	58,024
Debt service	467,904	-
Total expenses	<u>4,273,229</u>	<u>5,350,919</u>
Change in net position	(2,806,321)	(4,753,095)
Net position, beginning of year	<u>(4,858,480)</u>	<u>(105,385)</u>
Net position, end of year	<u>\$ (7,664,801)</u>	<u>\$ (4,858,480)</u>

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

The District's combined fund balances as of the end of the fiscal year ended May 31, 2024, were \$401,651, an increase of \$143,885 from the prior year.

The general fund's fund balance decreased by \$161,943, due to service operations and debt service expenditures exceeding property taxes and services revenues and tap connection and inspection fee revenues.

The debt service fund's fund balance increased by \$302,792, primarily due to property tax revenues, proceeds received from the Road Series 2023 bonds and a transfer in from the general fund exceeding debt service interest and fees and contractual obligation expenditures.

The capital projects fund's fund balance increased by \$3,036, due to bond and bond anticipation note proceeds exceeding capital outlay expenditures, repayment of developer advances and debt issuance costs.

***General Fund Budgetary Highlights***

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to water service revenues, tap connection and inspection fee revenues and related expenditures, purchased services expenditures and repairs and maintenance expenditures being greater



than anticipated and contracted services expenditures being less than anticipated. In addition, debt issuance costs and contractual obligation expenditures incurred were not included in the budget. The fund balance as of May 31, 2024, was expected to be \$390,370 and the actual end-of-year fund balance was \$95,823.

**Capital Assets and Related Debt**

**Capital Assets**

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

**Capital Assets (Net of Accumulated Depreciation)**

	<u>2024</u>	<u>2023</u>
Water facilities	\$ 1,465,430	\$ 701,361
Wastewater facilities	2,600,580	1,089,692
Drainage facilities	<u>3,148,719</u>	<u>1,412,271</u>
Total capital assets	<u>\$ 7,214,729</u>	<u>\$ 3,203,324</u>

During the current year, additions to capital assets were as follows:

Water, sewer and drainage facilities to serve Sunterra, Sections 48, 49 and 53	<u>\$ 4,177,031</u>
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**Debt**

The changes in the debt position of the District during the fiscal year ended May 31, 2024, are summarized as follows:

Long-term debt payable, beginning of year	\$ 8,319,638
Increases in long-term debt	9,693,930
Decreases in long-term debt	<u>(2,796,040)</u>
Long-term debt payable, end of year	<u>\$ 15,217,528</u>

At May 31, 2024, 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, \$127,390,000 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.

Developers of the District have constructed water, sewer, drainage and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if applicable. At May 31, 2024, a liability for developer-constructed capital assets of \$10,455,228 was recorded in the government-wide financial statements.

The Road Series 2023 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

***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 for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days of the date of annexation.

***Contingencies***

Developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction amounts are approximately \$15,205,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

***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.

As of May 31, 2024, the developers have advanced \$165,500, net of repayments, to the District for operations. These advances have been recorded as liabilities in the government-wide financial statements.

***Subsequent Events***

On September 11, 2024, the District issued its Unlimited Tax Bonds, Series 2024 in the amount of \$1,170,000 at a net effective interest rate of approximately 4.414%. The bonds were sold to redeem the Series 2023 bond anticipation note and repay the developer for previously completed utility construction projects within the District.

On September 11, 2024, the District also issued its Unlimited Tax Road Bonds, Series 2024 in the amount of \$2,385,000 at a net effective interest rate of approximately 4.418%. The bonds were sold to repay the developer for previously completed road construction projects within the District.

**Waller County Municipal Utility District No. 35**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**May 31, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 241,659	\$ 9,633	\$ 2,126	\$ 253,418	\$ -	\$ 253,418
Short-term investments	300,273	284,843	910	586,026	-	586,026
Receivables:						
Property taxes	1,595	2,328	-	3,923	-	3,923
Service accounts	57,393	-	-	57,393	-	57,393
Interfund receivable	-	8,316	-	8,316	(8,316)	-
Due from others	9,299	-	-	9,299	-	9,299
Prepaid expenditures	2,520	-	-	2,520	-	2,520
Capital assets (net of accumulated depreciation):						
Infrastructure	-	-	-	-	7,214,729	7,214,729
Total assets	<u>\$ 612,739</u>	<u>\$ 305,120</u>	<u>\$ 3,036</u>	<u>\$ 920,895</u>	<u>\$ 7,206,413</u>	<u>\$ 8,127,308</u>
<b>Liabilities</b>						
Accounts payable	\$ 200,265	\$ -	\$ -	\$ 200,265	\$ -	\$ 200,265
Accrued interest payable	-	-	-	-	67,576	67,576
Customer deposits	169,195	-	-	169,195	-	169,195
Unearned tap connection fees	137,545	-	-	137,545	-	137,545
Interfund payable	8,316	-	-	8,316	(8,316)	-
Long-term liabilities, due after one year	-	-	-	-	15,217,528	15,217,528
Total liabilities	<u>515,321</u>	<u>-</u>	<u>-</u>	<u>515,321</u>	<u>15,276,788</u>	<u>15,792,109</u>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	1,595	2,328	-	3,923	(3,923)	-
<b>Fund Balances/Net Position</b>						
Fund balances:						
Nonspendable, prepaid expenditures	2,520	-	-	2,520	(2,520)	-
Restricted :						
Unlimited tax bonds	-	20,710	-	20,710	(20,710)	-
Unlimited tax road bonds	-	282,082	-	282,082	(282,082)	-
Water, sewer and drainage	-	-	2,935	2,935	(2,935)	-
Roads	-	-	101	101	(101)	-
Unassigned	93,303	-	-	93,303	(93,303)	-
Total fund balances	<u>95,823</u>	<u>302,792</u>	<u>3,036</u>	<u>401,651</u>	<u>(401,651)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 612,739</u>	<u>\$ 305,120</u>	<u>\$ 3,036</u>	<u>\$ 920,895</u>		
Net position:						
Net investment in capital assets					(659,066)	(659,066)
Restricted for capital projects					1,081	1,081
Unrestricted					(7,006,816)	(7,006,816)
Total net position					<u>\$ (7,664,801)</u>	<u>\$ (7,664,801)</u>

**Waller County Municipal Utility District No. 35**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended May 31, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 222,816	\$ 324,993	\$ -	\$ 547,809	\$ 3,855	\$ 551,664
Water service	255,096	-	-	255,096	-	255,096
Sewer service	143,644	-	-	143,644	-	143,644
Penalty and interest	15,140	381	-	15,521	-	15,521
Tap connection and inspection fees	421,123	-	-	421,123	-	421,123
Investment income	7,360	11,170	1,106	19,636	-	19,636
Other income	-	224	-	224	60,000	60,224
Total revenues	<u>1,065,179</u>	<u>336,768</u>	<u>1,106</u>	<u>1,403,053</u>	<u>63,855</u>	<u>1,466,908</u>
<b>Expenditures/Expenses</b>						
Service operations:						
Purchased services	344,218	-	-	344,218	-	344,218
Professional fees	172,924	-	-	172,924	58,309	231,233
Contracted services	126,370	14,282	-	140,652	-	140,652
Repairs and maintenance	270,526	-	-	270,526	-	270,526
Other expenditures	42,078	4,274	25	46,377	-	46,377
Tap connections	157,397	-	-	157,397	-	157,397
Capital outlay	-	-	3,958,053	3,958,053	(3,958,053)	-
Conveyance of capital assets	-	-	-	-	2,049,303	2,049,303
Depreciation	-	-	-	-	165,626	165,626
Debt service:						
Interest and fees	-	45,645	-	45,645	70,551	116,196
Debt issuance costs	63,500	-	288,208	351,708	-	351,708
Contractual obligation	77,702	322,291	-	399,993	-	399,993
Total expenditures/expenses	<u>1,254,715</u>	<u>386,492</u>	<u>4,246,286</u>	<u>5,887,493</u>	<u>(1,614,264)</u>	<u>4,273,229</u>
<b>Deficiency of Revenues Over Expenditures</b>						
	<u>(189,536)</u>	<u>(49,724)</u>	<u>(4,245,180)</u>	<u>(4,484,440)</u>	<u>1,678,119</u>	
<b>Other Financing Sources (Uses)</b>						
Interfund transfers in (out)	(32,407)	32,407	-	-	-	
Repayment of developer advances	-	-	(25,500)	(25,500)	25,500	
General obligation bonds issued	-	320,109	3,889,891	4,210,000	(4,210,000)	
Discount on debt issued	-	-	(126,175)	(126,175)	126,175	
Bond anticipation note issued	-	-	510,000	510,000	(510,000)	
Contribution from others	60,000	-	-	60,000	(60,000)	
Total other financing sources	<u>27,593</u>	<u>352,516</u>	<u>4,248,216</u>	<u>4,628,325</u>	<u>(4,628,325)</u>	
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>						
	<u>(161,943)</u>	<u>302,792</u>	<u>3,036</u>	<u>143,885</u>	<u>(143,885)</u>	
<b>Change in Net Position</b>						
					<u>(2,806,321)</u>	<u>(2,806,321)</u>
<b>Fund Balances/Net Position</b>						
Beginning of year	<u>257,766</u>	<u>-</u>	<u>-</u>	<u>257,766</u>	<u>-</u>	<u>(4,858,480)</u>
End of year	<u>\$ 95,823</u>	<u>\$ 302,792</u>	<u>\$ 3,036</u>	<u>\$ 401,651</u>	<u>\$ -</u>	<u>\$ (7,664,801)</u>

## **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.

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

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

The District presents the following major governmental funds:

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

**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2024**

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*Debt Service Fund* – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

*Capital Projects Fund* – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

***Fund Balances – Governmental Funds***

The fund balances for the District’s governmental funds can be displayed in up to five components:

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

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

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

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

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

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

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

***Government-Wide Financial Statements***

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

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

**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2024**

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***Fund Financial Statements***

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

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

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

***Interfund Transactions***

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

***Pension Costs***

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

***Use of Estimates***

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

***Investments and Investment Income***

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

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

***Property Taxes***

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, 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.

**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2024**

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In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2024, include collections during the current period or within 60 days of year-end related to the 2023 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2024, the 2023 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

**Capital Assets**

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

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

Waller County assumes the maintenance and other incidents of ownership of road facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

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

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

**Debt Issuance Costs**

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

**Long-Term Obligations**

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

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



**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2024**

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**Net Position/Fund Balances**

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

When both restricted and unrestricted resources are available for use, 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 balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	\$ 7,214,729
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	3,923
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(67,576)
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	<u>(15,217,528)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ (8,066,452)</u>

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

Change in fund balances.	\$ 143,885
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense or conveyed to another governmental entity for ownership and maintenance. This is the amount by which capital outlay expenditures exceeded conveyed capital assets, depreciation expense and noncapitalized costs in the current period.	1,684,815
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.	25,500

**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2024**

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Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	\$ 126,175
Governmental funds report proceeds from sales of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(4,780,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	63,855
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(70,551)</u>
Change in net position of governmental activities.	<u>\$ (2,806,321)</u>

**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, 2024, none of the District's bank balances were exposed to custodial credit risk.

***Investments***

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

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

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The

**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2024**

District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at net asset value.

At May 31, 2024, the District had the following investments and maturities.

<u>Type</u>	<u>Maturities in Years</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Texas CLASS	\$ 586,026	\$ 586,026	\$ -	\$ -	\$ -

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2024, the District's investments in Texas CLASS were rated "AAAm," by Standard and Poor's.

**Summary of Carrying Values**

The carrying values of deposits and investments shown previously are included in the balance sheet and statement on net position at May 31, 2024, as follows:

Carrying value:	
Deposits	\$ 253,418
Investments	<u>586,026</u>
Total	<u>\$ 839,444</u>

**Investment Income**

Investment income of \$19,636 for the year ended May 31, 2024, consisted of interest income.

**Fair Value Measurements**

The District has the following recurring fair value measurements as of May 31, 2024:

- Pooled investments of \$586,026 are valued at fair value per share of the pool's underlying portfolio.

**Note 3. Capital Assets**

A summary of changes in capital assets for the year ended May 31, 2024, is presented as follows.

**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2024**

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Water production and distribution facilities	\$ 717,301	\$ 797,737	\$ 1,515,038
Wastewater collection and treatment facilities	1,114,458	1,570,555	2,685,013
Drainage facilities	1,444,368	1,808,739	3,253,107
	3,276,127	4,177,031	7,453,158
Total capital assets, depreciable			
Less accumulated depreciation:			
Water production and distribution facilities	(15,940)	(33,668)	(49,608)
Wastewater collection and treatment facilities	(24,766)	(59,667)	(84,433)
Drainage facilities	(32,097)	(72,291)	(104,388)
	(72,803)	(165,626)	(238,429)
Total accumulated depreciation			
Total governmental activities, net	\$ 3,203,324	\$ 4,011,405	\$ 7,214,729

**Note 4. Long-Term Liabilities**

Changes in long-term liabilities for the year ended May 31, 2024, were as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:					
General obligation bonds	\$ -	\$ 4,210,000	\$ -	\$ 4,210,000	\$ -
Less discounts on bonds	-	126,175	2,975	123,200	-
	-	4,083,825	(2,975)	4,086,800	-
Bond anticipation note	-	510,000	-	510,000	-
Due to developers	8,128,638	5,100,105	2,773,515	10,455,228	-
Due to developers - advances	191,000	-	25,500	165,500	-
	8,319,638	9,693,930	2,796,040	15,217,528	-
Total governmental activities long-term liabilities	\$ 8,319,638	\$ 9,693,930	\$ 2,796,040	\$ 15,217,528	\$ -

**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2024**

**General Obligation Bonds**

	<u><b>Road Series 2023</b></u>
Amount outstanding, May 31, 2024	\$4,210,000
Interest rates	4.75% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2025/2049
Interest payment dates	September 1/ March 1
Callable date*	September 1, 2030

\*Or any date thereafter, callable at par plus accrued interest to the date of redemption.

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at May 31, 2024:

<u><b>Year</b></u>	<u><b>Principal</b></u>	<u><b>Interest</b></u>	<u><b>Total</b></u>
2025	\$ -	\$ 213,406	\$ 213,406
2026	85,000	210,750	295,750
2027	85,000	205,331	290,331
2028	90,000	199,644	289,644
2029	95,000	193,869	288,869
2030-2034	565,000	883,219	1,448,219
2035-2039	745,000	719,468	1,464,468
2040-2044	975,000	507,975	1,482,975
2045-2049	1,275,000	238,091	1,513,091
2050	295,000	7,375	302,375
	<u>\$ 4,210,000</u>	<u>\$ 3,379,128</u>	<u>\$ 7,589,128</u>
Total			

The bonds are payable from the proceeds of an ad valorem tax levied upon all taxable property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted:

Water, sanitary sewer and drainage facilities	\$ 290,905,000
Park and recreational facilities	64,650,000
Road facilities	131,600,000

Bonds sold:

Road facilities	4,210,000
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Refunding bonds voted:

Water, sanitary sewer and drainage facilities	290,905,000
Park and recreational facilities	64,650,000
Road facilities	131,600,000

**Waller County Municipal Utility District No. 35**  
**Notes to Financial Statements**  
**May 31, 2024**

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***Bond Anticipation Note***

On December 18, 2023, the District issued its Bond Anticipation Note, Series 2023 in the amount of \$510,000. The Note is dated December 18, 2023, bears interest at the rate of 6.17% and matures December 16, 2024, unless called for early redemption. The note is a special limited obligation of the District and is payable solely from proceeds from the sale of bonds. Subsequent to year end, the District issued its Unlimited Tax Bonds, Series 2024 and will use a portion of the proceeds to redeem the note prior to its maturity.

***Due to Developers***

Developers of the District have constructed water, sewer, drainage and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if applicable. At May 31, 2024, a liability for developer-constructed capital assets of \$10,455,228 was recorded in the government-wide financial statements.

**Note 5. Significant Bond Order and Commission Requirements**

- (A) The Road Bond Order requires that the District levy and collect an ad valorem road debt service tax sufficient to pay interest and principal on road bonds when due. During the year ended May 31, 2024, the District did not levy an ad valorem road debt service tax for the 2023 tax year. The interest requirements to be paid from the available resources are \$152,348 of which \$45,645 has been paid and \$106,703 is due September 1, 2024.
- (B) In accordance with the Road Series 2023 Bond Order, a portion of the bond proceeds were deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	\$	-
Additions--Interest appropriated from Road Series 2023 bond proceeds		320,109
Deductions--Appropriation from bond interest paid: Road Series 2023		45,645
Bond interest reserve, end of year	\$	274,464

**Note 6. Maintenance Taxes**

At an election held November 2, 2021, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2024, the District levied an ad valorem maintenance tax at the rate of \$0.6100 per \$100 of assessed valuation, which resulted in a tax levy of \$224,344 on the taxable valuation of \$36,777,666 for the 2023 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

### **Note 7. Contract Taxes**

At an election held November 2, 2021, voters authorized a contract tax on all property within the District subject to taxation. During the year ended May 31, 2024, the District levied an ad valorem contract tax at the rate of \$0.8900 per \$100 of assessed valuation, which resulted in a tax levy of \$327,321 on the taxable valuation of \$36,777,666 for the 2023 tax year. This contract tax is used to pay for the District's pro rata share of principal and interest on Harris-Waller Counties Municipal Utility District No. 4's (the Master District) contract revenue bonds as described in Note 8.

### **Note 8. Financing and Operation of Regional Facilities**

On August 10, 2021, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the Contract) with the Master District, whereby the Master District agrees to provide, or cause to be provided, the regional water, wastewater, drainage and road facilities necessary to serve all participating districts located within the Master District's service area.

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

The Master District is charging each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The term of the Contract is 40 years. For the fiscal year ended May 31, 2024, the District incurred fees in the amount of \$344,218 related to the Contract.

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts in the Master District's service area. The District shall contribute annually to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. For the year ended May 31, 2024, the District incurred \$399,993 in contractual obligations related to Master District contract revenue bonds.

### **Note 9. Risk Management**

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

### **Note 10. Contingencies**

Developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission, if applicable. The District's engineer has stated that current construction amounts are approximately \$15,205,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

**Note 11. 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.

As of May 31, 2024, the developers have advanced \$165,500, net of repayments, to the District for operations. These advances have been recorded as liabilities in the government-wide financial statements.

**Note 12. Subsequent Events**

On September 11, 2024, the District issued its Unlimited Tax Bonds, Series 2024 in the amount of \$1,170,000 at a net effective interest rate of approximately 4.414%. The bonds were sold to redeem the Series 2023 bond anticipation note and repay the developer for previously completed utility construction projects within the District.

On September 11, 2024, the District also issued its Unlimited Tax Road Bonds, Series 2024 in the amount of \$2,385,000 at a net effective interest rate of approximately 4.418%. The bonds were sold to repay the developer for previously completed road construction projects within the District.



***Required Supplementary Information***

**Waller County Municipal Utility District No. 35  
 Budgetary Comparison Schedule – General Fund  
 Year Ended May 31, 2024**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 236,500	\$ 222,816	\$ (13,684)
Water service	123,120	255,096	131,976
Sewer service	156,600	143,644	(12,956)
Penalty and interest	3,000	15,140	12,140
Tap connection and inspection fees	278,100	421,123	143,023
Investment income	-	7,360	7,360
Total revenues	<u>797,320</u>	<u>1,065,179</u>	<u>267,859</u>
<b>Expenditures</b>			
Service operations:			
Purchased services	185,670	344,218	(158,548)
Professional fees	137,500	172,924	(35,424)
Contracted services	196,280	126,370	69,910
Repairs and maintenance	80,970	270,526	(189,556)
Other expenditures	31,596	42,078	(10,482)
Tap connections	92,700	157,397	(64,697)
Debt service:			
Debt issuance costs	-	63,500	(63,500)
Contractual obligation	-	77,702	(77,702)
Total expenditures	<u>724,716</u>	<u>1,254,715</u>	<u>(529,999)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	72,604	(189,536)	(262,140)
<b>Other Financing Sources (Uses)</b>			
Interfund transfers out	-	(32,407)	(32,407)
Contribution from others	60,000	60,000	-
Total other financing sources	<u>60,000</u>	<u>27,593</u>	<u>(32,407)</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	132,604	(161,943)	(294,547)
<b>Fund Balance, Beginning of Year</b>	<u>257,766</u>	<u>257,766</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 390,370</u>	<u>\$ 95,823</u>	<u>\$ (294,547)</u>

**Waller County Municipal Utility District No. 35  
Notes to Required Supplementary Information  
May 31, 2024**

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***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board 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 2024.

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

***Supplementary Information***

**Waller County Municipal Utility District No. 35  
Other Schedules Included Within This Report  
May 31, 2024**

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

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 11-22
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund
- [X] Board Members, Key Personnel and Consultants

**Waller County Municipal Utility District No. 35  
 Schedule of Services and Rates  
 Year Ended May 31, 2024**

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 checked="" type="checkbox"/> Security |
| <input checked="" 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 _____   |   |  |

2. Retail service providers:

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 57.00	10,000	N	\$ 4.30	10,001 to No Limit
Wastewater:	\$ 47.50	0	Y		
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):			Water	\$ 57.00	Wastewater \$ 47.50

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	418	415	x1.0	415
1"	-	-	x2.5	-
1 1/2"	-	-	x5.0	-
2"	4	4	x8.0	32
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	422	419		447
Total wastewater	417	414	x1.0	414

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	15,889
Gallons billed to customers:	15,889
Water accountability ratio (gallons billed/gallons pumped):	100.00%

\*"ESFC" means equivalent single-family connections

**Waller County Municipal Utility District No. 35  
Schedule of General Fund Expenditures  
Year Ended May 31, 2024**

<b>Personnel (including benefits)</b>		\$ -
<b>Professional Fees</b>		
Auditing	\$ 19,300	
Legal	113,086	
Engineering	40,538	
Financial advisor	-	172,924
<b>Purchased Services for Resale</b>		
Bulk water and wastewater service purchases		344,218
<b>Regional Water Fee</b>		-
<b>Contracted Services</b>		
Bookkeeping	43,104	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	55,936	
Other contracted services	8,885	107,925
<b>Utilities</b>		-
<b>Repairs and Maintenance</b>		270,526
<b>Administrative Expenditures</b>		
Directors' fees	10,103	
Office supplies	7,028	
Insurance	6,002	
Other administrative expenditures	18,945	42,078
<b>Capital Outlay</b>		
Capitalized assets	-	
Expenditures not capitalized	-	-
<b>Tap Connection Expenditures</b>		157,397
<b>Solid Waste Disposal</b>		18,445
<b>Fire Fighting</b>		-
<b>Contractual Obligation</b>		77,702
<b>Parks and Recreation</b>		-
<b>Other Expenditures</b>		63,500
Total expenditures		<u>\$ 1,254,715</u>

**Waller County Municipal Utility District No. 35**  
**Schedule of Temporary Investments**  
**May 31, 2024**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
<b>General Fund</b>				
Texas CLASS	5.43%	Demand	\$ 300,273	\$ -
<b>Debt Service Fund</b>				
Texas CLASS	5.43%	Demand	282,082	-
Texas CLASS	5.43%	Demand	2,761	-
			<u>284,843</u>	<u>-</u>
<b>Capital Projects Fund</b>				
Texas CLASS	5.43%	Demand	809	-
Texas CLASS	5.43%	Demand	101	-
			<u>910</u>	<u>-</u>
Totals			<u>\$ 586,026</u>	<u>\$ -</u>



**Waller County Municipal Utility District No. 35  
 Analysis of Taxes Levied and Receivable  
 Year Ended May 31, 2024**

	<b>Maintenance Taxes</b>	<b>Contract Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 68	\$ -
Additions and corrections to prior years' taxes	(1)	-
Adjusted receivable, beginning of year	<u>67</u>	<u>-</u>
 <b>2023 Original Tax Levy</b>	 225,949	 329,662
Additions and corrections	(1,605)	(2,341)
Adjusted tax levy	<u>224,344</u>	<u>327,321</u>
Total to be accounted for	224,411	327,321
Tax collections: Current year	(222,749)	(324,993)
Prior years	(67)	-
Receivable, end of year	<u>\$ 1,595</u>	<u>\$ 2,328</u>
 <b>Receivable, by Year</b>		
2023	<u>\$ 1,595</u>	<u>\$ 2,328</u>

**Waller County Municipal Utility District No. 35  
 Analysis of Taxes Levied and Receivable  
 Year Ended May 31, 2024**

**(Continued)**

	<u>2023</u>	<u>2022</u>
<b>Property Valuations</b>		
Land	\$ 56,928,955	\$ 34,232,328
Improvements	-	-
Personal property	256,370	65,120
Exemptions	<u>(20,407,659)</u>	<u>(22,287,380)</u>
 Total property valuations	 <u>\$ 36,777,666</u>	 <u>\$ 12,010,068</u>
 <b>Tax Rates per \$100 Valuation</b>		
Contract tax rates	\$ 0.8900	\$ -
Maintenance tax rates*	<u>0.6100</u>	<u>1.5000</u>
 Total tax rates per \$100 valuation	 <u>\$ 1.5000</u>	 <u>\$ 1.5000</u>
 <b>Tax Levy</b>	 <u>\$ 551,665</u>	 <u>\$ 180,151</u>
 <b>Percent of Taxes Collected to Taxes Levied**</b>	 <u>99%</u>	 <u>100%</u>

\*Maximum tax rate approved by voters: \$1.50 on November 2, 2021

\*\*Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

**Waller County Municipal Utility District No. 35**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**May 31, 2024**

Due During Fiscal Years Ending May 31	Road Series 2023		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ -	\$ 213,406	\$ 213,406
2026	85,000	210,750	295,750
2027	85,000	205,331	290,331
2028	90,000	199,644	289,644
2029	95,000	193,869	288,869
2030	100,000	188,019	288,019
2031	105,000	182,393	287,393
2032	115,000	176,894	291,894
2033	120,000	171,018	291,018
2034	125,000	164,895	289,895
2035	135,000	158,393	293,393
2036	140,000	151,519	291,519
2037	150,000	144,268	294,268
2038	155,000	136,644	291,644
2039	165,000	128,644	293,644
2040	175,000	120,143	295,143
2041	185,000	111,144	296,144
2042	195,000	101,888	296,888
2043	205,000	92,388	297,388
2044	215,000	82,412	297,412
2045	230,000	71,844	301,844
2046	240,000	60,531	300,531
2047	255,000	48,466	303,466
2048	270,000	35,500	305,500
2049	280,000	21,750	301,750
2050	295,000	7,375	302,375
Totals	\$ 4,210,000	\$ 3,379,128	\$ 7,589,128

**Waller County Municipal Utility District No. 35  
Changes in Long-Term Bonded Debt  
Year Ended May 31, 2024**

	<u>Bond Issue</u>
	<u>Road Series 2023</u>
Interest rates	4.75% to 6.50%
Dates interest payable	September 1/ March 1
Maturity dates	September 1, 2025/2049
Bonds outstanding, beginning of the current year	\$ -
Bonds sold during the current year	4,210,000
Retirements, principal	<u>-</u>
Bonds outstanding, end of current year	<u>\$ 4,210,000</u>
Interest paid during the current year	<u>\$ 45,645</u>

Paying agent's name and address:

**Series 2023** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:	<u>Tax Bonds</u>	<u>Recreational Bonds</u>	<u>Road Bonds</u>	<u>Refunding Bonds</u>
Amount authorized by voters	<u>\$ 290,905,000</u>	<u>\$ 64,650,000</u>	<u>\$ 131,600,000</u>	<u>\$ 487,155,000</u>
Amount issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,210,000</u>	<u>\$ -</u>
Remaining to be issued	<u>\$ 290,905,000</u>	<u>\$ 64,650,000</u>	<u>\$ 127,390,000</u>	<u>\$ 487,155,000</u>

Debt service fund cash and temporary investment balances as of May 31, 2024: \$ 294,476

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 291,890

**Waller County Municipal Utility District No. 35**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Two Years Ended May 31, 2024 and May 31, 2023, and Period From Inception (June 10, 2019) to May 31, 2022**

	Amounts		
	2024	2023	2022**
<b>General Fund</b>			
<b>Revenues</b>			
Property taxes	\$ 222,816	\$ 180,083	\$ -
Water service	255,096	21,688	-
Sewer service	143,644	75,049	-
Penalty and interest	15,140	84	-
Tap connection and inspection fees	421,123	267,960	-
Investment income	7,360	190	-
Other income	-	42,702	-
Total revenues	<u>1,065,179</u>	<u>587,756</u>	<u>-</u>
<b>Expenditures</b>			
Service operations:			
Purchased services	344,218	41,658	-
Professional fees	172,924	123,549	70,833
Contracted services	126,370	36,349	7,356
Repairs and maintenance	270,526	36,532	-
Other expenditures	42,078	29,393	27,196
Tap connections	157,397	100,100	-
Debt service:			
Debt issuance costs	63,500	-	-
Contractual obligation	77,702	58,024	-
Total expenditures	<u>1,254,715</u>	<u>425,605</u>	<u>105,385</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(189,536)</u>	<u>162,151</u>	<u>(105,385)</u>
<b>Other Financing Sources (Uses)</b>			
Interfund transfers out	(32,407)	-	-
Developer advances received	-	104,000	87,000
Contribution from others	60,000	10,000	-
Total other financing sources	<u>27,593</u>	<u>114,000</u>	<u>87,000</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(161,943)</u>	<u>276,151</u>	<u>(18,385)</u>
<b>Fund Balance (Deficit), Beginning of Period</b>	<u>257,766</u>	<u>(18,385)</u>	<u>-</u>
<b>Fund Balance (Deficit), End of Period</b>	<u>\$ 95,823</u>	<u>\$ 257,766</u>	<u>\$ (18,385)</u>
<b>Total Active Retail Water Connections</b>	<u>419</u>	<u>180</u>	<u>N/A</u>
<b>Total Active Retail Wastewater Connections</b>	<u>414</u>	<u>180</u>	<u>N/A</u>

\*Percentages not meaningful.

\*\*Period from inception (June 10, 2019) through May 31, 2022

**Percent of Fund Total Revenues**

<u>2024</u>	<u>2023</u>	<u>2022</u>
20.9 %	30.6 %	* %
24.0	3.7	*
13.5	12.8	*
1.4	0.0	*
39.5	45.6	*
0.7	0.0	*
-	7.3	*
100.0	100.0	*
32.3	7.1	*
16.2	21.0	*
11.9	6.2	*
25.4	6.2	*
3.9	5.0	*
14.8	17.0	*
6.0	-	*
7.3	9.9	*
117.8	72.4	*
(17.8) %	27.6 %	* %

**Waller County Municipal Utility District No. 35**  
**Schedule of Revenues and Expenditures – Debt Service Fund**  
**Year Ended May 31, 2024**

	<u>Amounts</u>	<u>Percent of Fund Total Revenues</u>
<b>Debt Service Fund</b>		
<b>Revenues</b>		
Property taxes	\$ 324,993	96.5 %
Penalty and interest	381	0.1
Investment income	11,170	3.3
Other income	224	0.1
	<u>336,768</u>	<u>100.0</u>
Total revenues		
<b>Expenditures</b>		
Current:		
Contracted services	14,282	4.2
Other expenditures	4,274	1.3
Debt service:		
Interest and fees	45,645	13.6
Contractual obligation	322,291	95.7
	<u>386,492</u>	<u>114.8</u>
Total expenditures		
<b>Deficiency of Revenues Over Expenditures</b>	<u>(49,724)</u>	<u>(14.8) %</u>
<b>Other Financing Sources</b>		
Interfund transfers in	32,407	
General obligation bonds issued	320,109	
	<u>352,516</u>	
Total other financing sources		
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	302,792	
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	
<b>Fund Balance, End of Year</b>	<u>\$ 302,792</u>	

**Waller County Municipal Utility District No. 35  
Board Members, Key Personnel and Consultants  
Year Ended May 31, 2024**

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 15, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected &amp; Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
Victoria A. Battistini	Elected 05/24- 05/28	\$ 2,581	\$ 433	President
Ryan C. Ward	Elected 05/24- 05/28	1,918	98	Vice President
Jaclyn Day	Elected 05/22- 05/26	1,476	203	Secretary
Daniel C. Feiler	Elected 05/24- 05/28	1,768	106	Assistant Secretary
Tiffani Walker	Appointed 09/22- 05/26	2,360	291	Assistant Secretary

\*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  
Year Ended May 31, 2024**

**(Continued)**

<u>Consultants</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title</u>
Bob Leared Interests	08/08/22	\$ 13,473	Tax Assessor/ Collector
FORVIS, LLP	08/08/22	31,100	Auditor
McCall, Parkhurst & Horton, L.L.P.	10/09/23	-	Disclosure Counsel
Municipal Accounts & Consulting, L.P.	08/10/21	51,640	Bookkeeper
Municipal District Services, L.L.C.	04/11/22	322,359	Operator
Quiddity Engineering, LLC	08/10/21	124,538	Engineer
Robert W. Baird & Co. Incorporated	08/10/21	96,742	Financial Advisor
Schwartz, Page & Harding, L.L.P.	08/10/21	135,490 130,360	General Counsel Bond Counsel
Waller County Appraisal District	Legislative Action	6,407	Appraiser
<b><u>Investment Officers</u></b>			
Mark Burton and Ghia Lewis	12/13/21	-	Bookkeepers