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

Independent Auditor's Report, Financial Statements, and Supplementary Information

May 31, 2025

Waller County Municipal Utility District No. 35
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May 31, 2025

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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 (District), as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of May 31, 2025, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas
October 10, 2025

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2025	2024
Current and other assets	$ 2,518,687	$ 913,280
Capital assets	14,582,346	7,214,729
Total assets	$ 17,101,033	$ 8,128,009
Long-term liabilities	$ 36,887,285	$ 15,217,528
Other liabilities	1,233,464	575,282
Total liabilities	38,120,749	15,792,810
Net position		
Net investment in capital assets	(1,992,051)	(659,066)
Restricted	324,046	1,081
Unrestricted	(19,351,711)	(7,006,816)
Total net position	$ (21,019,716)	$ (7,664,801)

The total net position of the District decreased by $13,354,915, or about 174%. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance, as well as contractual obligation and debt service expenses. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2025	2024
Revenues		
Property taxes	$ 1,932,248	$ 551,664
Charges for services	854,011	398,740
Other revenues	1,322,899	516,504
Total revenues	4,109,158	1,466,908
Expenses		
Services	2,554,295	1,190,403
Conveyance of capital assets	13,142,843	2,049,303
Depreciation	336,927	165,626
Purchase of capacity	34,500	-
Contractual obligation	577,865	399,993
Debt service	817,643	467,904
Total expenses	17,464,073	4,273,229
Change in net position	(13,354,915)	(2,806,321)
Net position, beginning of year	(7,664,801)	(4,858,480)
Net position, end of year	$ (21,019,716)	$ (7,664,801)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2025 were $1,348,632, an increase of $946,981 from the prior year.

The general fund's fund balance increased by $543,277 primarily due to tap connection and inspection fees revenues exceeding the related tap connections expenditures.

The debt service fund's fund balance increased by $304,929 primarily due to property tax revenues and proceeds received from the sales of the Series 2024 and Road Series 2024 bonds exceeding bond interest and contractual obligation expenditures.

The capital projects fund's fund balance increased by $98,775 due to proceeds received from the sales of bonds and a bond anticipation note exceeding capital outlay expenditures, repayment of a bond anticipation note, repayment of developer advances, and debt issuance costs.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax revenues, tap connection and inspection fees revenues and related tap connections expenditures, purchased services expenditures, and interfund transfers being greater than anticipated. In addition, debt issuance costs incurred were not included in the budget. The fund balance as of May 31, 2025 was expected to be $348,836, and the actual end-of-year fund balance was $639,100.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2025	2024
Water facilities	$ 3,035,215	$ 1,465,430
Wastewater facilities	4,740,946	2,600,580
Drainage facilities	6,806,185	3,148,719
Total capital assets	$ 14,582,346	$ 7,214,729

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

Water, sewer, and drainage facilities to serve Sunterra, Sections 48, 49, 50, 55, 56, 67, 68, 70, 71, and 72	$ 7,704,544

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2025 are summarized as follows:

Long-term debt payable, beginning of year	$ 15,217,528
Increases in long-term debt	28,194,322
Decreases in long-term debt	(6,524,565)
Long-term debt payable, end of year	$ 36,887,285

At May 31, 2025, the District had $289,735,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District; $125,005,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing road facilities; and $64,650,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing park and recreational facilities.

Developers of the District have constructed water, sewer, drainage, and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if applicable. At May 31, 2025, a liability for developer-constructed capital assets of $24,948,453 was recorded in the government-wide financial statements.

The District's bonds do not carry an underlying rating. The Road Series 2023 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2024 bonds and Road Series 2024 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assurance Guaranty Inc.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days of the date of annexation.

Contingencies

Developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs plus interest from the proceeds from future bond sales, to the extent approved by the Commission, if applicable. The District's engineer has stated that current construction amounts are approximately $10,930,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Events

On August 14, 2025, the District issued its Unlimited Tax Bonds, Series 2025 in the amount of $8,225,000 at a net effective interest rate of approximately 5.008%. The bonds were sold to redeem the Series 2024 bond anticipation note and repay the District's developers for previously completed utility construction projects within the District.

On August 14, 2025, the District also issued its Unlimited Tax Road Bonds, Series 2025 in the amount of $4,390,000 at a net effective interest rate of approximately 5.011%. The bonds were sold to repay one of the District's developers for previously completed road construction projects within the District.

Waller County Municipal Utility District No. 35
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 371,103	$ 97,263	$ 420	$ 468,786	$ -	$ 468,786
Short-term investments	1,037,228	469,622	101,635	1,608,485	-	1,608,485
Receivables						
Property taxes	117,827	127,974	-	245,801	-	245,801
Service accounts	140,653	-	-	140,653	-	140,653
Accrued penalty and interest	-	-	-	-	39,962	39,962
Interfund receivable	39,614	-	-	39,614	(39,614)	-
Due from others	15,000	-	-	15,000	-	15,000
Capital assets (net of accumulated depreciation), infrastructure	-	-	-	-	14,582,346	14,582,346
Total Assets	$ 1,721,425	$ 694,859	$ 102,055	$ 2,518,339	$ 14,582,694	$ 17,101,033
Liabilities						
Accounts payable	$ 383,171	$ 982	$ 244	$ 384,397	$ -	$ 384,397
Accrued interest payable	-	-	-	-	203,758	203,758
Customer deposits	370,819	-	-	370,819	-	370,819
Unearned tap connection fees	274,490	-	-	274,490	-	274,490
Interfund payable	-	39,614	-	39,614	(39,614)	-
Long-term liabilities						
Due within one year	-	-	-	-	85,000	85,000
Due after one year	-	-	-	-	36,802,285	36,802,285
Total Liabilities	1,028,480	40,596	244	1,069,320	37,051,429	38,120,749
Deferred Inflows of Resources						
Deferred property tax revenues	53,845	46,542	-	100,387	(100,387)	-
Fund Balances/Net Position						
Fund balances						
Restricted						
Unlimited tax bonds	-	226,941	-	226,941	(226,941)	-
Unlimited tax road bonds	-	380,780	-	380,780	(380,780)	-
Water, sewer, and drainage	-	-	68,900	68,900	(68,900)	-
Roads	-	-	32,911	32,911	(32,911)	-
Unassigned	639,100	-	-	639,100	(639,100)	-
Total Fund Balances	639,100	607,721	101,811	1,348,632	(1,348,632)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,721,425	$ 694,859	$ 102,055	$ 2,518,339		
Net position						
Net investment in capital assets					(1,992,051)	(1,992,051)
Restricted for debt service					317,557	317,557
Restricted for capital projects					6,489	6,489
Unrestricted					(19,351,711)	(19,351,711)
Total net position					$ (21,019,716)	$ (21,019,716)

Waller County Municipal Utility District No. 35
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances
Year Ended May 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 849,037	$ 986,747	$ -	$ 1,835,784	$ 96,464	$ 1,932,248
Water service	553,987	-	-	553,987	-	553,987
Sewer service	300,024	-	-	300,024	-	300,024
Penalty and interest	16,190	3,812	-	20,002	39,962	59,964
Tap connection and inspection fees	1,116,869	-	-	1,116,869	-	1,116,869
Investment income	21,466	24,602	5,498	51,566	-	51,566
Sale of capacity	34,500	-	-	34,500	-	34,500
Other income	-	-	-	-	60,000	60,000
Total Revenues	2,892,073	1,015,161	5,498	3,912,732	196,426	4,109,158
Expenditures/Expenses						
Service operations						
Purchased services	822,716	-	-	822,716	-	822,716
Professional fees	195,389	5	-	195,394	162,551	357,945
Contracted services	233,742	25,531	-	259,273	3,883	263,156
Repairs and maintenance	609,638	-	-	609,638	-	609,638
Other expenditures	44,141	4,527	90	48,758	5,460	54,218
Tap connections	446,622	-	-	446,622	-	446,622
Capital outlay	-	-	6,536,152	6,536,152	(6,536,152)	-
Conveyance of capital assets	-	-	-	-	13,142,843	13,142,843
Purchase of capacity	34,500	-	-	34,500	-	34,500
Depreciation	-	-	-	-	336,927	336,927
Debt service						
Principal retirement	-	-	510,000	510,000	(510,000)	-
Interest and fees	-	290,367	23,041	313,408	149,960	463,368
Debt issuance costs	92,875	-	261,400	354,275	-	354,275
Contractual obligation	-	577,865	-	577,865	-	577,865
Total Expenditures/Expenses	2,479,623	898,295	7,330,683	10,708,601	6,755,472	17,464,073
Excess (Deficiency) of Revenues Over Expenditures	412,450	116,866	(7,325,185)	(6,795,869)	(6,559,046)	
Other Financing Sources (Uses)						
Interfund transfers in (out)	70,827	-	(70,827)	-	-	
Repayment of developer advances	-	-	(165,500)	(165,500)	165,500	
General obligation bonds issued	-	188,063	3,366,937	3,555,000	(3,555,000)	
Discount on debt issued	-	-	(106,650)	(106,650)	106,650	
Bond anticipation note issued	-	-	4,400,000	4,400,000	(4,400,000)	
Contribution from others	60,000	-	-	60,000	(60,000)	
Total Other Financing Sources	130,827	188,063	7,423,960	7,742,850	(7,742,850)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	543,277	304,929	98,775	946,981	(946,981)	
Change in Net Position					(13,354,915)	(13,354,915)
Fund Balances/Net Position						
Beginning of year	95,823	302,792	3,036	401,651	-	(7,664,801)
End of year	$ 639,100	$ 607,721	$ 101,811	$ 1,348,632	$ -	$ (21,019,716)

Note 1. Nature of Operations and Summary of Significant Accounting Policies

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

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2025 include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2025, the 2024 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

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

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years
Drainage facilities	10–45 years

Debt Issuance Costs

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

Long-Term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-Wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	$ 14,582,346
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	100,387
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	39,962
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(203,758)
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	(36,887,285)
Adjustment to fund balances to arrive at net position.	$ (22,368,348)

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

Change in fund balances.	$ 946,981
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense or conveyed to another governmental entity for ownership and maintenance. This is the amount by which conveyed capital assets, depreciation expense, and noncapitalized costs exceeded capital outlay expenditures in the current period.	(7,115,512)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	165,500

Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	$ 106,650
Governmental funds report proceeds from sales of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(7,445,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	136,426
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(149,960)
Change in net position of governmental activities.	$ (13,354,915)

Note 2. Deposits, Investments, and Investment Income

Deposits

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

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

At May 31, 2025, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at net asset value.

At May 31, 2025, the District had the following investments and maturities:

		Maturities in Years			
Type	**Fair Value**	**Less Than 1**	**1–5**	**6–10**	**More Than 10**
Texas CLASS	$ 1,608,485	$ 1,608,485	$ -	$ -	$ -

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2025, the District's investments in Texas CLASS were rated "AAAm" by Standard and Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at May 31, 2025 as follows:

Carrying value	
Deposits	$ 468,786
Investments	1,608,485
Total	$ 2,077,271

Investment Income

Investment income of $51,566 for the year ended May 31, 2025 consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of May 31, 2025:

- Pooled investments of $1,608,485 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended May 31, 2025 is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, depreciable			
Water production and distribution facilities	$ 1,515,038	$ 1,639,915	$ 3,154,953
Wastewater collection and treatment facilities	2,685,013	2,250,061	4,935,074
Drainage facilities	3,253,107	3,814,568	7,067,675
Total capital assets, depreciable	7,453,158	7,704,544	15,157,702
Less accumulated depreciation			
Water production and distribution facilities	(49,608)	(70,130)	(119,738)
Wastewater collection and treatment facilities	(84,433)	(109,695)	(194,128)
Drainage facilities	(104,388)	(157,102)	(261,490)
Total accumulated depreciation	(238,429)	(336,927)	(575,356)
Total governmental activities, net	$ 7,214,729	$ 7,367,617	$ 14,582,346

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended May 31, 2025 were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable					
General obligation bonds	$ 4,210,000	$ 3,555,000	$ -	$ 7,765,000	$ 85,000
Less discounts on bonds	123,200	106,650	3,682	226,168	-
	4,086,800	3,448,350	(3,682)	7,538,832	85,000
Bond anticipation note	510,000	4,400,000	510,000	4,400,000	-
Due to developers	10,455,228	20,345,972	5,852,747	24,948,453	-
Due to developers – advances	165,500	-	165,500	-	-
Total governmental activities long-term liabilities	$ 15,217,528	$ 28,194,322	$ 6,524,565	$ 36,887,285	$ 85,000

General Obligation Bonds

	Road Series 2023	Series 2024
Amounts outstanding, May 31, 2025	$4,210,000	$1,170,000
Interest rates	4.75% to 6.50%	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2025/2049	September 1, 2026/2050
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2030	September 1, 2030

	Road Series 2024
Amount outstanding, May 31, 2025	$2,385,000
Interest rates	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2026/2050
Interest payment dates	March 1/September 1
Callable date*	September 1, 2030

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at May 31, 2025:

Year	Principal	Interest	Total
2026	$ 85,000	$ 372,138	$ 457,138
2027	160,000	364,280	524,280
2028	170,000	353,557	523,557
2029	180,000	342,419	522,419
2030	190,000	330,882	520,882
2031–2035	1,105,000	1,485,005	2,590,005
2036–2040	1,430,000	1,170,506	2,600,506
2041–2045	1,850,000	797,613	2,647,613
2046–2050	2,360,000	328,466	2,688,466
2051	235,000	4,800	239,800
Total	$ 7,765,000	$ 5,549,666	$ 13,314,666

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

Bonds voted	
Water, sanitary sewer, and drainage facilities	$ 290,905,000
Park and recreational facilities	64,650,000
Road facilities	131,600,000
Bonds sold	
Water, sanitary sewer, and drainage facilities	1,710,000
Road facilities	6,595,000
Refunding bonds voted	
Water, sanitary sewer, and drainage facilities	290,905,000
Park and recreational facilities	64,650,000
Road facilities	131,600,000

Bond Anticipation Note

On December 16, 2024, the District issued its Bond Anticipation Note, Series 2024 in the amount of $4,400,000. The Note is dated December 16, 2024, bears interest at the rate of 5.50%, and matures December 15, 2025, unless called for early redemption. The note is a special limited obligation of the District and is payable solely from proceeds from the sale of bonds. Subsequent to year-end, the District issued its Unlimited Tax Bonds, Series 2025 and used a portion of the proceeds to redeem the note prior to its maturity.

Due to Developers

Developers of the District have constructed water, sewer, drainage, and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if applicable. At May 31, 2025, a liability for developer-constructed capital assets of $24,948,453 was recorded in the government-wide financial statements.

Note 5. Significant Bond Order and Commission Requirements

(A) The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended May 31, 2025, the District levied an ad valorem debt service tax of $0.2800 per $100 of assessed valuation, which resulted in a tax levy of $324,031 on the taxable valuation of $115,725,237 for the 2024 tax year. The interest requirements on utility bonds to be paid from the tax revenues and available resources are $51,868, of which $25,193 has been paid and $26,675 is due September 1, 2025. The principal and interest requirements on road bonds to be paid from the tax revenues and available resources are $403,433, of which $242,721 has been paid and $160,722 is due September 1, 2025.

(B) During the current year, the District transferred $70,827 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

(C) In accordance with the Road Series 2023, Series 2024, and Road Series 2024 Bond Orders, portions of the bond proceeds were deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	$ 274,464
Additions – Interest appropriated from bond proceeds	
Series 2024	80,025
Road Series 2024	108,038
	188,063
Deductions – Appropriation from bond interest paid	
Road Series 2023	213,406
Series 2024	25,193
Road Series 2024	51,018
	289,617
Bond interest reserve, end of year	$ 172,910

Note 6. Maintenance Taxes

At an election held November 2, 2021, voters authorized a maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2025, the District levied an ad valorem maintenance tax at the rate of $0.6600 per $100 of assessed valuation, which resulted in a tax levy of $763,787 on the taxable valuation of $115,725,237 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Contract Taxes

At an election held November 2, 2021, voters authorized a contract tax on all property within the District subject to taxation. During the year ended May 31, 2025, the District levied an ad valorem contract tax at the rate of $0.5600 per $100 of assessed valuation, which resulted in a tax levy of $648,061 on the taxable valuation of $115,725,237 for the 2024 tax year. This contract tax is used to pay for the District's pro rata share of principal and interest on Harris-Waller Counties Municipal Utility District No. 4's (Master District) contract revenue bonds as described in Note 8.

Note 8. Financing and Operation of Regional Facilities

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

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

The Master District is charging each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The term of the Contract is 40 years. For the fiscal year ended May 31, 2025, the District incurred fees in the amount of $822,716 related to the Contract.

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage, and road facilities needed to provide services to all participating districts in the Master District's service area. The District shall contribute annually to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. For the year ended May 31, 2025, the District incurred $577,865 in contractual obligations related to Master District contract revenue bonds.

Note 9. Risk Management

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

Note 10. Contingencies

Developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission, if applicable. The District's engineer has stated that current construction amounts are approximately $10,930,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 11. Subsequent Events

On August 14, 2025, the District issued its Unlimited Tax Bonds, Series 2025 in the amount of $8,225,000 at a net effective interest rate of approximately 5.008%. The bonds were sold to redeem the Series 2024 bond anticipation note and repay the District's developers for previously completed utility construction projects within the District.

On August 14, 2025, the District also issued its Unlimited Tax Road Bonds, Series 2025 in the amount of $4,390,000 at a net effective interest rate of approximately 5.011%. The bonds were sold to repay one of the District's developers for previously completed road construction projects within the District.

Required Supplementary Information

Waller County Municipal Utility District No. 35
Budgetary Comparison Schedule – General Fund
Year Ended May 31, 2025

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	$ 250,000	$ 678,526	$ 849,037	$ 170,511
Water service	249,700	508,700	553,987	45,287
Sewer service	137,000	300,000	300,024	24
Penalty and interest	16,700	16,700	16,190	(510)
Tap connection and inspection fees	467,100	467,100	1,116,869	649,769
Investment income	8,900	8,900	21,466	12,566
Sale of capacity	-	-	34,500	34,500
Total Revenues	1,129,400	1,979,926	2,892,073	912,147
Expenditures				
Service operations				
Purchased services	337,500	600,000	822,716	(222,716)
Professional fees	151,000	151,000	195,389	(44,389)
Contracted services	178,800	233,000	233,742	(742)
Repairs and maintenance	275,900	601,900	609,638	(7,738)
Other expenditures	46,540	46,540	44,141	2,399
Tap connections	157,000	157,000	446,622	(289,622)
Purchase of capacity	-	-	34,500	(34,500)
Debt service, debt issuance costs	-	-	92,875	(92,875)
Total Expenditures	1,146,740	1,789,440	2,479,623	(690,183)
Excess (Deficiency) of Revenues Over Expenditures	(17,340)	190,486	412,450	221,964
Other Financing Sources				
Interfund transfers in	-	2,527	70,827	68,300
Proceeds from other governmental entity	60,000	60,000	60,000	-
Total Other Financing Sources	60,000	62,527	130,827	68,300
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	42,660	253,013	543,277	290,264
Fund Balance, Beginning of Year	95,823	95,823	95,823	-
Fund Balance, End of Year	$ 138,483	$ 348,836	$ 639,100	$ 290,264

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2025.

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

Supplementary Information

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

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 10–21

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-Term Debt Service Requirements by Years

[X] Changes in Long-Term Bonded Debt

[X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund

[X] Board Members, Key Personnel, and Consultants

Waller County Municipal Utility District No. 35
Schedule of Services and Rates
Year Ended May 31, 2025

1. Services to be provided by the District

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

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
__ Other ________

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 57.00	10,000	N	$ 4.30	10,001	to	No Limit
Wastewater:	$ 47.50	-	Y				

Does the District employ winter averaging for wastewater usage? Yes __ No X

Total charges per 10,000 gallons usage (including fees): Water $ 57.00 Wastewater $ 47.50

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	942	926	x1.0	926
1"	1	1	x2.5	3
1 1/2"	4	4	x5.0	20
2"	15	15	x8.0	120
3"	-	-	x15.0	-
4"	1	1	x25.0	25
6"	1	1	x50.0	50
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	964	948		1,144
Total wastewater	942	926	x1.0	926

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

Gallons pumped into the system:	72,076
Gallons billed to customers:	72,076
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Waller County Municipal Utility District No. 35
Schedule of General Fund Expenditures
Year Ended May 31, 2025

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 17,000	
Legal	112,554	
Engineering	65,835	
Financial advisor	-	195,389
Purchased Services for Resale		
Bulk water and wastewater service purchases		822,716
Regional Water Fee		-
Contracted Services		
Bookkeeping	51,930	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	55,121	
Other contracted services	23,190	130,241
Utilities		-
Repairs and Maintenance		609,638
Administrative Expenditures		
Directors' fees	9,503	
Office supplies	7,563	
Insurance	5,035	
Other administrative expenditures	22,040	44,141
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	-	-
Tap Connection Expenditures		446,622
Solid Waste Disposal		103,501
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		127,375
Total Expenditures		$ 2,479,623

Waller County Municipal Utility District No. 35
Schedule of Temporary Investments
May 31, 2025

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Texas CLASS	4.42%	Demand	$ 1,037,228	$ -
Debt Service Fund				
Texas CLASS	4.42%	Demand	57,282	-
Texas CLASS	4.42%	Demand	380,780	-
Texas CLASS	4.42%	Demand	31,560	-
			469,622	-
Capital Projects Fund				
Texas CLASS	4.42%	Demand	61,123	-
Texas CLASS	4.42%	Demand	32,911	-
Texas CLASS	4.42%	Demand	7,601	-
			101,635	-
Totals			$ 1,608,485	$ -

Waller County Municipal Utility District No. 35
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2025

	Maintenance Taxes	Contract Taxes	Road Debt Service Taxes
Receivable, Beginning of Year	$ 1,595	$ 2,328	$ -
Additions and corrections to prior years' taxes	137,500	58,869	-
Adjusted Receivable, Beginning of Year	139,095	61,197	-
2024 Original Tax Levy	692,374	587,468	293,734
Additions and corrections	71,413	60,593	30,297
Adjusted tax levy	763,787	648,061	324,031
Total to Be Accounted For	902,882	709,258	324,031
Tax collections: Current year	(672,622)	(570,710)	(285,355)
Prior years	(112,433)	(49,250)	-
Receivable, End of Year	$ 117,827	$ 89,298	$ 38,676
Receivable, by Year			
2024	$ 91,165	$ 77,351	$ 38,676
2023	8,187	11,947	-
2022	18,475	-	-
Receivable, End of Year	$ 117,827	$ 89,298	$ 38,676

Waller County Municipal Utility District No. 35
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2025 (Continued)

	2024	2023	2022
Property Valuations			
Land	$ 63,658,955	$ 56,928,955	$ 34,232,328
Improvements	57,678,292	-	-
Personal property	78,670	256,370	65,120
Exemptions	(5,690,680)	(20,407,659)	(22,287,380)
Total Property Valuations	$ 115,725,237	$ 36,777,666	$ 12,010,068
Tax Rates Per $100 Valuation			
Debt service tax rates	$ 0.2800	$ -	$ -
Contract tax rates	0.5600	0.8900	-
Maintenance tax rates*	0.6600	0.6100	1.5000
Total Tax Rates Per $100 Valuation	$ 1.5000	$ 1.5000	$ 1.5000
Tax Levy	$ 1,735,879	$ 551,665	$ 180,151
Percent of Taxes Collected to Taxes Levied**	88%	97%	94%

*Maximum tax rate approved by voters: $1.50 on November 2, 2021
**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Waller County Municipal Utility District No. 35
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025

	Road Series 2023		
Due During Fiscal Years Ending May 31	**Principal Due September 1**	**Interest Due September 1, March 1**	**Total**
2026	$ 85,000	$ 210,750	$ 295,750
2027	85,000	205,331	290,331
2028	90,000	199,644	289,644
2029	95,000	193,869	288,869
2030	100,000	188,019	288,019
2031	105,000	182,393	287,393
2032	115,000	176,894	291,894
2033	120,000	171,018	291,018
2034	125,000	164,895	289,895
2035	135,000	158,393	293,393
2036	140,000	151,519	291,519
2037	150,000	144,268	294,268
2038	155,000	136,644	291,644
2039	165,000	128,644	293,644
2040	175,000	120,143	295,143
2041	185,000	111,144	296,144
2042	195,000	101,888	296,888
2043	205,000	92,388	297,388
2044	215,000	82,412	297,412
2045	230,000	71,844	301,844
2046	240,000	60,531	300,531
2047	255,000	48,466	303,466
2048	270,000	35,500	305,500
2049	280,000	21,750	301,750
2050	295,000	7,375	302,375
Totals	$ 4,210,000	$ 3,165,722	$ 7,375,722

Waller County Municipal Utility District No. 35
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025 **(Continued)**

Due During Fiscal Years Ending May 31	Series 2024 Principal Due September 1	Series 2024 Interest Due September 1, March 1	Series 2024 Total
2026	$ -	$ 53,350	$ 53,350
2027	25,000	52,537	77,537
2028	25,000	50,913	75,913
2029	30,000	49,125	79,125
2030	30,000	47,175	77,175
2031	30,000	45,225	75,225
2032	30,000	43,275	73,275
2033	35,000	41,425	76,425
2034	35,000	39,675	74,675
2035	35,000	37,925	72,925
2036	40,000	36,050	76,050
2037	40,000	34,050	74,050
2038	45,000	31,925	76,925
2039	45,000	29,900	74,900
2040	45,000	28,100	73,100
2041	50,000	26,200	76,200
2042	50,000	24,200	74,200
2043	55,000	22,100	77,100
2044	55,000	19,900	74,900
2045	60,000	17,600	77,600
2046	60,000	15,200	75,200
2047	65,000	12,700	77,700
2048	65,000	10,100	75,100
2049	70,000	7,400	77,400
2050	75,000	4,500	79,500
2051	75,000	1,500	76,500
Totals	$ 1,170,000	$ 782,050	$ 1,952,050

Waller County Municipal Utility District No. 35
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025 (Continued)

Due During Fiscal Years Ending May 31	Road Series 2024 Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ -	$ 108,038	$ 108,038
2027	50,000	106,412	156,412
2028	55,000	103,000	158,000
2029	55,000	99,425	154,425
2030	60,000	95,688	155,688
2031	60,000	91,787	151,787
2032	65,000	88,213	153,213
2033	70,000	84,837	154,837
2034	70,000	81,338	151,338
2035	75,000	77,712	152,712
2036	80,000	73,838	153,838
2037	80,000	69,837	149,837
2038	85,000	65,713	150,713
2039	90,000	61,787	151,787
2040	95,000	58,088	153,088
2041	100,000	54,187	154,187
2042	105,000	50,088	155,088
2043	110,000	45,787	155,787
2044	115,000	41,288	156,288
2045	120,000	36,587	156,587
2046	125,000	31,688	156,688
2047	130,000	26,587	156,587
2048	135,000	21,288	156,288
2049	145,000	15,687	160,687
2050	150,000	9,694	159,694
2051	160,000	3,300	163,300
Totals	$ 2,385,000	$ 1,601,894	$ 3,986,894

Waller County Municipal Utility District No. 35
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025 **(Continued)**

	Annual Requirements For All Series		
Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	$ 85,000	$ 372,138	$ 457,138
2027	160,000	364,280	524,280
2028	170,000	353,557	523,557
2029	180,000	342,419	522,419
2030	190,000	330,882	520,882
2031	195,000	319,405	514,405
2032	210,000	308,382	518,382
2033	225,000	297,280	522,280
2034	230,000	285,908	515,908
2035	245,000	274,030	519,030
2036	260,000	261,407	521,407
2037	270,000	248,155	518,155
2038	285,000	234,282	519,282
2039	300,000	220,331	520,331
2040	315,000	206,331	521,331
2041	335,000	191,531	526,531
2042	350,000	176,176	526,176
2043	370,000	160,275	530,275
2044	385,000	143,600	528,600
2045	410,000	126,031	536,031
2046	425,000	107,419	532,419
2047	450,000	87,753	537,753
2048	470,000	66,888	536,888
2049	495,000	44,837	539,837
2050	520,000	21,569	541,569
2051	235,000	4,800	239,800
Totals	$ 7,765,000	$ 5,549,666	$ 13,314,666

Waller County Municipal Utility District No. 35
Changes in Long-Term Bonded Debt
Year Ended May 31, 2025

	Bond Issues			
	Road Series 2023	Series 2024	Road Series 2024	Totals
Interest rates	4.75% to 6.50%	4.00% to 6.50%	4.00% to 6.50%	
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1	
Maturity dates	September 1, 2025/2049	September 1, 2026/2050	September 1, 2026/2050	
Bonds outstanding, beginning of current year	$ 4,210,000	$ -	$ -	$ 4,210,000
Bonds sold during the current year	-	1,170,000	2,385,000	3,555,000
Bonds outstanding, end of current year	$ 4,210,000	$ 1,170,000	$ 2,385,000	$ 7,765,000
Interest paid during the current year	$ 213,406	$ 25,193	$ 51,018	$ 289,617

Paying agent's name and address

Series 2023 Rd – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2024 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2024 Rd – The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority	Tax Bonds	Recreational Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	$ 290,905,000	$ 64,650,000	$ 131,600,000	$ 487,155,000
Amount issued	$ 1,170,000	$ -	$ 6,595,000	$ -
Remaining to be issued	$ 289,735,000	$ 64,650,000	$ 125,005,000	$ 487,155,000

Debt service fund cash and temporary investment balances as of May 31, 2025:	$ 566,885
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 512,103

Waller County Municipal Utility District No. 35
Comparative Schedule of Revenues and Expenditures – General Fund
Three Years Ended May 31, 2025, 2024, and 2023 and Period From Inception (June 10, 2019) to May 31, 2022

	Amounts			
	2025	**2024**	**2023**	**2022****
General Fund				
Revenues				
Property taxes	$ 849,037	$ 222,816	$ 180,083	$ -
Water service	553,987	255,096	21,688	-
Sewer service	300,024	143,644	75,049	-
Penalty and interest	16,190	15,140	84	-
Tap connection and inspection fees	1,116,869	421,123	267,960	-
Investment income	21,466	7,360	190	-
Sale of capacity	34,500	-	-	-
Other income	-	-	42,702	-
Total Revenues	2,892,073	1,065,179	587,756	-
Expenditures				
Service operations				
Purchased services	822,716	344,218	41,658	-
Professional fees	195,389	172,924	123,549	70,833
Contracted services	233,742	126,370	36,349	7,356
Repairs and maintenance	609,638	270,526	36,532	-
Other expenditures	44,141	42,078	29,393	27,196
Tap connections	446,622	157,397	100,100	-
Debt service	34,500	-	-	-
Debt issuance costs	92,875	63,500	-	-
Contractual obligation	-	77,702	58,024	-
Total Expenditures	2,479,623	1,254,715	425,605	105,385
Excess (Deficiency) of Revenues Over Expenditures	412,450	(189,536)	162,151	(105,385)
Other Financing Sources (Uses)				
Interfund transfers in (out)	70,827	(32,407)	-	-
Developer advances received	-	-	104,000	87,000
Contribution from others	60,000	60,000	10,000	-
Total Other Financing Sources	130,827	27,593	114,000	87,000
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	543,277	(161,943)	276,151	(18,385)
Fund Balance (Deficit), Beginning of Period	95,823	257,766	(18,385)	-
Fund Balance (Deficit), End of Period	$ 639,100	$ 95,823	$ 257,766	$ (18,385)
Total Active Retail Water Connections	948	419	180	N/A
Total Active Retail Wastewater Connections	926	414	180	N/A

*Percentages not meaningful
**Period from inception (June 10, 2019) through May 31, 2022

Percent of Fund Total Revenues							
2025		2024		2023		2022	
29.4	%	20.9	%	30.6	%	*	%
19.1		24.0		3.7		*	
10.4		13.5		12.8		*	
0.6		1.4		-		*	
38.6		39.5		45.6		*	
0.7		0.7		0.0		*	
1.2		-		-		*	
-		-		7.3		*	
100.0		100.0		100.0		*	
28.4		32.3		7.1		*	
6.8		16.2		21.0		*	
8.1		11.9		6.2		*	
21.1		25.4		6.2		*	
1.5		3.9		5.0		*	
15.4		14.8		17.0		*	
1.2		-		-		*	
3.2		6.0		-		*	
-		7.3		9.9		*	
85.7		117.8		72.4		*	
14.3	%	(17.8)	%	27.6	%	*	%

Waller County Municipal Utility District No. 35
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Two Years Ended May 31,

	Amounts		Percent of Fund Total Revenues	
	2025	2024	2025	2024
Debt Service Fund				
Revenues				
Property taxes	$ 986,747	$ 324,993	97.2 %	96.5 %
Penalty and interest	3,812	381	0.4	0.1
Investment income	24,602	11,170	2.4	3.3
Other income	-	224	-	0.1
Total Revenues	1,015,161	336,768	100.0	100.0
Expenditures				
Current				
Professional fees	5	-	0.0	-
Contracted services	25,531	14,282	2.5	4.2
Other expenditures	4,527	4,274	0.5	1.3
Debt service				
Interest and fees	290,367	45,645	28.6	13.6
Contractual obligation	577,865	322,291	56.9	95.7
Total Expenditures	898,295	386,492	88.5	114.8
Excess (Deficiency) of Revenues Over Expenditures	116,866	(49,724)	11.5 %	(14.8) %
Other Financing Sources				
Interfund transfers in	-	32,407		
General obligation bonds issued	188,063	320,109		
Total Other Financing Sources	188,063	352,516		
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	304,929	302,792		
Fund Balance, Beginning of Year	302,792	-		
Fund Balance, End of Year	$ 607,721	$ 302,792		

Waller County Municipal Utility District No. 35
Board Members, Key Personnel, and Consultants
Year Ended May 31, 2025

Complete District mailing address:	Waller County Municipal Utility District No. 35 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, TX 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 15, 2024
Limit on fees of office that a director may receive during a fiscal year:	$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Victoria A. Battistini	Elected 05/24–05/28	$ 2,210	$ 342	President
Ryan C. Ward	Elected 05/24–05/28	884	11	Vice President
Jaclyn Day	Elected 05/22–05/26	1,989	271	Secretary
Daniel C. Feiler	Elected 05/24–05/28	2,431	150	Assistant Secretary
Tiffani Walker	Appointed 09/22–05/26	1,989	245	Assistant Secretary

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

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bob Leared Interests	08/08/22	$ 17,247	Tax Assessor/ Collector
Forvis Mazars, LLP	08/08/22	40,500	Auditor
Municipal Accounts & Consulting, L.P.	08/10/21	66,488	Bookkeeper
Municipal District Services, L.L.C.	04/11/22	966,613	Operator
Quiddity Engineering, LLC	08/10/21	164,924	Engineer
Robert W. Baird & Co. Incorporated	08/10/21	117,532	Financial Advisor
Schwartz, Page & Harding, L.L.P.	08/10/21	227,667 110,391	General Counsel Bond Counsel
Waller County Appraisal District	Legislative Action	16,606	Appraiser
Investment Officers			
Mark Burton and Ghia Lewis	12/13/21	N/A	Bookkeepers