Waller County Municipal Utility District No. 35

Waller County, Texas

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

May 31, 2026

Waller County Municipal Utility District No. 35
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May 31, 2026

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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, 2026, 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, 2026, 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, 2026

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

	2026	2025
Current and other assets	$ 4,889,459	$ 2,518,687
Capital assets	27,125,677	14,582,346
Total assets	$ 32,015,136	$ 17,101,033
Long-term liabilities	$ 54,225,370	$ 36,887,285
Other liabilities	1,876,365	1,233,464
Total liabilities	56,101,735	38,120,749
Net position		
Net investment in capital assets	(5,324,710)	(1,992,051)
Restricted	922,863	324,046
Unrestricted	(19,684,752)	(19,351,711)
Total net position	$ (24,086,599)	$ (21,019,716)

The total net position of the District decreased by $3,066,883, or about 15%. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance. 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

	2026	2025
Revenues		
Property taxes	$ 3,468,844	$ 1,932,248
Charges for services	2,195,209	854,011
Other revenues	2,336,855	1,322,899
Total revenues	8,000,908	4,109,158
Expenses		
Services	4,790,880	2,554,295
Conveyance of capital assets	2,517,877	13,142,843
Depreciation	633,385	336,927
Purchase of capacity	-	34,500
Contractual obligation	1,227,995	577,865
Debt service	1,897,654	817,643
Total expenses	11,067,791	17,464,073
Change in net position	(3,066,883)	(13,354,915)
Net position, beginning of year	(21,019,716)	(7,664,801)
Net position, end of year	$ (24,086,599)	$ (21,019,716)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2026 were $3,388,814, an increase of $2,040,182 from the prior year.

The general fund's fund balance increased by $1,008,179 primarily due to tap connection and inspection fees revenues exceeding the related tap connections expenditures.

The debt service fund's fund balance increased by $961,951 primarily due to property tax revenues and proceeds received from the sales of the Series 2025 and Road Series 2025 bonds exceeding bond principal and interest and contractual obligation expenditures.

The capital projects fund's fund balance increased by $70,052 due to proceeds received from the sales of bonds and a bond anticipation note exceeding capital outlay expenditures, repayment of a bond anticipation note, 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 and sewer service revenues, tap connection and inspection fees revenues and related tap connections expenditures, purchased services expenditures and repairs and maintenance expenditures being greater than anticipated. In addition, capital outlay expenditures incurred were not included in the budget. The fund balance as of May 31, 2026 was expected to be $1,010,300, and the actual end-of-year fund balance was $1,647,279.

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)

	2026	2025
Water facilities	$ 5,560,103	$ 3,035,215
Wastewater facilities	8,325,210	4,740,946
Drainage facilities	13,240,364	6,806,185
Total capital assets	$ 27,125,677	$ 14,582,346

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

Water, sewer, and drainage facilities to serve Sunterra, Sections 46, 48, 49, 50, 53, 55, 65, 66, 67, 68, 69, 70, 74, 75, 76, 77, 78, Sunterra Section 73 and Caymus Creek Drive Street Dedication, and non-potable waterline in Sunterra, Section 74	$ 13,176,716

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2026 are summarized as follows:

Long-term debt payable, beginning of year	$ 36,887,285
Increases in long-term debt	31,050,855
Decreases in long-term debt	(13,712,770)
Long-term debt payable, end of year	$ 54,225,370

At May 31, 2026, the District had $281,510,000 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; $120,615,000 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, 2026, a

liability for developer-constructed capital assets of $26,921,542 was recorded in the government-wide financial statements.

The District's bonds do not carry an underlying rating. The Road Series 2023, Series 2025, and Road Series 2025 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.

Subsequent Event

On August 13, 2026, the District issued its Unlimited Tax Bonds, Series 2026 in the amount of $13,550,000 at a net effective interest rate of approximately 4.534%. The bonds were sold to redeem the Series 2025 bond anticipation note and repay the District's developers for previously completed utility construction projects within the District.

Waller County Municipal Utility District No. 35
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 466,235	$ 86,951	$ 376	$ 553,562	$ -	$ 553,562
Short-term investments	1,850,145	1,483,005	173,516	3,506,666	-	3,506,666
Receivables						
Property taxes	22,469	46,640	-	69,109	-	69,109
Service accounts	423,792	-	-	423,792	-	423,792
Interfund receivable	-	3,483	-	3,483	(3,483)	-
Operating reserve	291,330	-	-	291,330	-	291,330
Due from others	45,000	-	-	45,000	-	45,000
Capital assets (net of accumulated depreciation), infrastructure	-	-	-	-	27,125,677	27,125,677
Total Assets	$ 3,098,971	$ 1,620,079	$ 173,892	$ 4,892,942	$ 27,122,194	$ 32,015,136
Liabilities						
Accounts payable	$ 690,588	$ 3,767	$ 2,029	$ 696,384	$ -	$ 696,384
Accrued interest payable	-	-	-	-	444,829	444,829
Customer deposits	694,575	-	-	694,575	-	694,575
Due to others	17,507	-	-	17,507	-	17,507
Unearned tap connection fees	23,070	-	-	23,070	-	23,070
Interfund payable	3,483	-	-	3,483	(3,483)	-
Long-term liabilities						
Due within one year	-	-	-	-	160,000	160,000
Due after one year	-	-	-	-	54,065,370	54,065,370
Total Liabilities	1,429,223	3,767	2,029	1,435,019	54,666,716	56,101,735
Deferred Inflows of Resources						
Deferred property tax revenues	22,469	46,640	-	69,109	(69,109)	-
Fund Balances/Net Position						
Fund balances						
Restricted						
Unlimited tax bonds	-	810,562	-	810,562	(810,562)	-
Unlimited tax road bonds	-	759,110	-	759,110	(759,110)	-
Water, sewer, and drainage	-	-	171,863	171,863	(171,863)	-
Assigned, operating reserve	291,330	-	-	291,330	(291,330)	-
Unassigned	1,355,949	-	-	1,355,949	(1,355,949)	-
Total fund balances	1,647,279	1,569,672	171,863	3,388,814	(3,388,814)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,098,971	$ 1,620,079	$ 173,892	$ 4,892,942		
Net position						
Net investment in capital assets					(5,324,710)	(5,324,710)
Restricted for debt service					890,947	890,947
Restricted for capital projects					31,916	31,916
Unrestricted					(19,684,752)	(19,684,752)
Total net position					$ (24,086,599)	$ (24,086,599)

Waller County Municipal Utility District No. 35
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances
Year Ended May 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 1,140,667	$ 2,359,455	$ -	$ 3,500,122	$ (31,278)	$ 3,468,844
Water service	1,389,869	-	-	1,389,869	-	1,389,869
Sewer service	805,340	-	-	805,340	-	805,340
Penalty and interest	81,815	30,843	-	112,658	(39,962)	72,696
Tap connection and inspection fees	2,075,165	-	-	2,075,165	-	2,075,165
Investment income	55,752	46,418	25,549	127,719	-	127,719
Other income	-	1,167	108	1,275	60,000	61,275
Total Revenues	5,548,608	2,437,883	25,657	8,012,148	(11,240)	8,000,908
Expenditures/Expenses						
Service operations						
Purchased services	1,833,836	-	-	1,833,836	-	1,833,836
Professional fees	205,821	7,241	-	213,062	193,189	406,251
Contracted services	426,129	53,662	-	479,791	6,341	486,132
Repairs and maintenance	1,228,989	-	-	1,228,989	-	1,228,989
Other expenditures	59,536	6,700	230	66,466	-	66,466
Tap connections	769,206	-	-	769,206	-	769,206
Capital outlay	103,246	-	13,833,717	13,936,963	(13,936,963)	-
Conveyance of capital assets	-	-	-	-	2,517,877	2,517,877
Depreciation	-	-	-	-	633,385	633,385
Debt service						
Principal retirement	-	85,000	4,400,000	4,485,000	(4,485,000)	-
Interest and fees	-	711,647	159,786	871,433	264,537	1,135,970
Debt issuance costs	76,348	-	685,336	761,684	-	761,684
Contractual obligation	-	1,227,995	-	1,227,995	-	1,227,995
Total Expenditures/Expenses	4,703,111	2,092,245	19,079,069	25,874,425	(14,806,634)	11,067,791
Excess (Deficiency) of Revenues Over Expenditures	845,497	345,638	(19,053,412)	(17,862,277)	14,795,394	
Other Financing Sources (Uses)						
Interfund transfers in (out)	102,682	-	(102,682)	-	-	
General obligation bonds issued	-	616,313	11,998,687	12,615,000	(12,615,000)	
Discount on debt issued	-	-	(377,541)	(377,541)	377,541	
Bond anticipation note issued	-	-	7,605,000	7,605,000	(7,605,000)	
Contribution from others	60,000	-	-	60,000	(60,000)	
Total Other Financing Sources	162,682	616,313	19,123,464	19,902,459	(19,902,459)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,008,179	961,951	70,052	2,040,182	(2,040,182)	
Change in Net Position					(3,066,883)	(3,066,883)
Fund Balances/Net Position						
Beginning of year	639,100	607,721	101,811	1,348,632	-	(21,019,716)
End of year	$ 1,647,279	$ 1,569,672	$ 171,863	$ 3,388,814	$ -	$ (24,086,599)

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, 2026 include collections during the current period or within 60 days of year-end related to the 2025 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, 2026, the 2025 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 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.	$ 27,125,677
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	69,109
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(444,829)
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	(54,225,370)
Adjustment to fund balances to arrive at net position.	$ (27,475,413)

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.	$ 2,040,182
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.	10,586,171
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.	377,541
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.	(15,735,000)

Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	$ (71,240)
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.	(264,537)
Change in net position of governmental activities.	$ (3,066,883)

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, 2026, 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 fair value.

At May 31, 2026, the District had the following investments and maturities.

Type	Fair Value	Maturities in Years: Less Than 1	1–5	6–10	More Than 10
Texas CLASS	$ 3,506,666	$ 3,506,666	$ -	$ -	$ -

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, 2026, the District's investments in Texas CLASS were rated "AAAm" by Standard & 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, 2026 as follows:

Carrying value	
Deposits	$ 553,562
Investments	3,506,666
Total	$ 4,060,228

Investment Income

Investment income of $127,719 for the year ended May 31, 2026 consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of May 31, 2026:

- Pooled investments of $3,506,666 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, 2026 is presented as follows.

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, depreciable			
Water production and distribution facilities	$ 3,154,953	$ 2,656,654	$ 5,811,607
Wastewater collection and treatment facilities	4,935,074	3,778,346	8,713,420
Drainage facilities	7,067,675	6,741,716	13,809,391
Total capital assets, depreciable	15,157,702	13,176,716	28,334,418
Less accumulated depreciation			
Water production and distribution facilities	(119,738)	(131,766)	(251,504)
Wastewater collection and treatment facilities	(194,128)	(194,082)	(388,210)
Drainage facilities	(261,490)	(307,537)	(569,027)
Total accumulated depreciation	(575,356)	(633,385)	(1,208,741)
Total governmental activities, net	$ 14,582,346	$ 12,543,331	$ 27,125,677

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended May 31, 2026 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	$ 7,765,000	$ 12,615,000	$ 85,000	$ 20,295,000	$ 160,000
Less discounts on bonds	226,168	377,541	7,537	596,172	-
	7,538,832	12,237,459	77,463	19,698,828	160,000
Bond anticipation note	4,400,000	7,605,000	4,400,000	7,605,000	-
Due to developers	24,948,453	11,208,396	9,235,307	26,921,542	-
Total governmental activities long-term liabilities	$ 36,887,285	$ 31,050,855	$ 13,712,770	$ 54,225,370	$ 160,000

General Obligation Bonds

	Road Series 2023	Series 2024
Amounts outstanding, May 31, 2026	$4,125,000	$1,170,000
Interest rates	4.75% to 6.50%	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2026/2049	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	Series 2025
Amounts outstanding, May 31, 2026	$2,385,000	$8,225,000
Interest rates	4.00% to 6.50%	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2026/2050	September 1, 2027/2051
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2030	September 1, 2030

	Road Series 2025
Amount outstanding, May 31, 2026	$4,390,000
Interest rates	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2027/2051
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, 2026.

Year	Principal	Interest	Total
2027	$ 160,000	$ 980,593	$ 1,140,593
2028	425,000	961,583	1,386,583
2029	450,000	933,382	1,383,382
2030	475,000	903,808	1,378,808
2031	495,000	873,318	1,368,318
2032–2036	2,910,000	3,934,776	6,844,776
2037–2041	3,755,000	3,198,707	6,953,707
2042–2046	4,835,000	2,232,715	7,067,715
2047–2051	5,920,000	931,597	6,851,597
2052	870,000	21,750	891,750
Total	$ 20,295,000	$ 14,972,229	$ 35,267,229

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	9,395,000
Road facilities	10,985,000
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 November 17, 2025, the District issued its Bond Anticipation Note, Series 2025 in the amount of $7,605,000. The note is dated November 17, 2025, bears interest at the rate of 4.85%, and matures November 16, 2026, 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 and has, therefore, been excluded from the current portion of long-term liabilities. Subsequent to year-end, the District issued its Unlimited Tax Bonds, Series 2026 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, 2026, a liability for developer-constructed capital assets of $26,921,542 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, 2026, the District levied an ad valorem debt service tax of $0.5350 per $100 of assessed valuation, which resulted in a tax levy of

$1,239,433 on the taxable valuation of $231,669,685 for the 2025 tax year. The principal and interest requirements on utility bonds to be paid from the tax revenues and available resources are $498,994, of which $246,481 has been paid and $252,513 is due September 1, 2026. The principal and interest requirements on road bonds to be paid from the tax revenues and available resources are $675,904, of which $275,520 has been paid and $400,384 is due September 1, 2026.

(B) During the current year, the District transferred $102,682 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, Road Series 2024, Series 2025, and Road Series 2025 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	$ 172,910
Additions – Interest appropriated from bond proceeds	
Series 2025	401,675
Road Series 2025	214,638
	616,313
Deductions – Appropriation from bond interest paid	
Road Series 2023	61,058
Series 2024	53,350
Road Series 2024	57,020
Series 2025	219,805
Road Series 2025	117,454
	508,687
Bond interest reserve, end of year	$ 280,536

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, 2026, the District levied an ad valorem maintenance tax at the rate of $0.4800 per $100 of assessed valuation, which resulted in a tax levy of $1,112,015 on the taxable valuation of $231,669,685 for the 2025 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, 2026, the District levied an ad valorem contract tax at the rate of $0.4850 per $100 of assessed valuation, which resulted in a tax levy of $1,123,598 on the taxable valuation of $231,669,685 for the 2025 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, 2026, the District incurred fees in the amount of $1,833,836 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, 2026, the District incurred $1,227,995 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. Subsequent Event

On August 13, 2026, the District issued its Unlimited Tax Bonds, Series 2026 in the amount of $13,550,000 at a net effective interest rate of approximately 4.534%. The bonds were sold to redeem the Series 2025 bond anticipation note and repay the District's developers for previously completed utility construction projects within the District.

Required Supplementary Information

Waller County Municipal Utility District No. 35
Budgetary Comparison Schedule – General Fund
Year Ended May 31, 2026

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 1,050,000	$ 1,140,667	$ 90,667
Water service	666,800	1,389,869	723,069
Sewer service	495,300	805,340	310,040
Penalty and interest	26,300	81,815	55,515
Tap connection and inspection fees	846,300	2,075,165	1,228,865
Investment income	40,800	55,752	14,952
Total Revenues	3,125,500	5,548,608	2,423,108
Expenditures			
Service operations			
Purchased services	1,196,400	1,833,836	(637,436)
Professional fees	167,500	205,821	(38,321)
Contracted services	431,300	426,129	5,171
Repairs and maintenance	756,800	1,228,989	(472,189)
Other expenditures	61,000	59,536	1,464
Tap connections	283,500	769,206	(485,706)
Capital outlay	-	103,246	(103,246)
Debt service, debt issuance costs	-	76,348	(76,348)
Total Expenditures	2,896,500	4,703,111	(1,806,611)
Excess of Revenues Over Expenditures	229,000	845,497	616,497
Other Financing Sources			
Interfund transfers in	82,200	102,682	20,482
Contribution from others	60,000	60,000	-
Total Other Financing Sources	142,200	162,682	20,482
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	371,200	1,008,179	636,979
Fund Balance, Beginning of Year	639,100	639,100	-
Fund Balance, End of Year	$ 1,010,300	$ 1,647,279	$ 636,979

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 not amended during fiscal 2026.

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, 2026

(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] Schedules 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, 2026

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:	$ 48.59	-	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 $ 48.59

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	1,560	1,548	x1.0	1,548
1"	8	8	x2.5	20
1 1/2"	5	5	x5.0	25
2"	36	36	x8.0	288
3"	-	-	x15.0	-
4"	1	1	x25.0	25
6"	1	1	x50.0	50
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,611	1,599		1,956
Total wastewater	1,566	1,554	x1.0	1,554

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

Gallons pumped into the system:	166,331
Gallons billed to customers:	166,331
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, 2026

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 20,500	
Legal	102,782	
Engineering	82,539	
Financial advisor	-	205,821
Purchased Services for Resale		
Bulk water and wastewater service purchases		1,833,836
Regional Water Fee		-
Contracted Services		
Bookkeeping	57,314	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	69,913	
Other contracted services	45,057	172,284
Utilities		-
Repairs and Maintenance		1,228,989
Administrative Expenditures		
Directors' fees	10,608	
Office supplies	11,585	
Insurance	3,126	
Other administrative expenditures	34,217	59,536
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	103,246	103,246
Tap Connection Expenditures		769,206
Solid Waste Disposal		253,845
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		76,348
Total Expenditures		$ 4,703,111

Waller County Municipal Utility District No. 35
Schedule of Temporary Investments
May 31, 2026

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Texas CLASS	3.77%	Demand	$ 1,850,145	$ -
Debt Service Fund				
Texas CLASS	3.77%	Demand	707,870	-
Texas CLASS	3.77%	Demand	759,110	-
Texas CLASS	3.77%	Demand	16,025	-
			1,483,005	-
Capital Projects Fund				
Texas CLASS	3.77%	Demand	21,821	-
Texas CLASS	3.77%	Demand	151,695	-
			173,516	-
Totals			$ 3,506,666	$ -

Waller County Municipal Utility District No. 35
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2026

	Maintenance Taxes	Contract Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 117,827	$ 89,298	$ 38,676
Additions and corrections to prior years' taxes	(2,724)	(2,349)	(1,130)
Adjusted Receivable, Beginning of Year	115,103	86,949	37,546
2025 Original Tax Levy	1,127,545	1,139,290	1,256,742
Additions and corrections	(15,530)	(15,692)	(17,309)
Adjusted tax levy	1,112,015	1,123,598	1,239,433
Total to Be Accounted For	1,227,118	1,210,547	1,276,979
Tax collections: Current year	(1,090,844)	(1,102,207)	(1,215,837)
Prior years	(113,805)	(85,847)	(36,995)
Receivable, End of Year	$ 22,469	$ 22,493	$ 24,147
Receivable, by Years			
2025	$ 21,171	$ 21,391	$ 23,596
2024	1,298	1,102	551
Receivable, End of Year	$ 22,469	$ 22,493	$ 24,147

Waller County Municipal Utility District No. 35
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2026 (Continued)

	2025	2024	2023	2022
Property Valuations				
Land	$ 106,468,372	$ 63,658,955	$ 56,928,955	$ 34,232,328
Improvements	137,883,649	57,678,292	-	-
Personal property	191,940	78,670	256,370	65,120
Exemptions	(12,874,276)	(5,690,680)	(20,407,659)	(22,287,380)
Total Property Valuations	$ 231,669,685	$ 115,725,237	$ 36,777,666	$ 12,010,068
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.5350	$ 0.2800	$ -	$ -
Contract tax rates	0.4850	0.5600	0.8900	-
Maintenance tax rates*	0.4800	0.6600	0.6100	1.5000
Total Tax Rates per $100 Valuation	$ 1.5000	$ 1.5000	$ 1.5000	$ 1.5000
Tax Levy	$ 3,475,046	$ 1,735,879	$ 551,665	$ 180,151
Percent of Taxes Collected to Taxes Levied**	98%	99%	100%	100%

*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, 2026

Due During Fiscal Years Ending May 31	Road Series 2023		
	Principal Due September 1	Interest Due September 1, March 1	Total
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	$ 4,125,000	$ 2,954,972	$ 7,079,972

Waller County Municipal Utility District No. 35
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2026 **(Continued)**

Due During Fiscal Years Ending May 31	Series 2024		
	Principal Due September 1	Interest Due September 1, March 1	Total
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	$ 728,700	$ 1,898,700

Waller County Municipal Utility District No. 35
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2026 **(Continued)**

Due During Fiscal Years Ending May 31	Road Series 2024 Principal Due September 1	Road Series 2024 Interest Due September 1, March 1	Road Series 2024 Total
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	$ 1,493,856	$ 3,878,856

Waller County Municipal Utility District No. 35
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2026 **(Continued)**

Due During Fiscal Years Ending May 31	Series 2025 Principal Due September 1	Series 2025 Interest Due September 1, March 1	Total
2027	$ -	$ 401,675	$ 401,675
2028	165,000	396,313	561,313
2029	175,000	385,263	560,263
2030	185,000	373,563	558,563
2031	195,000	361,213	556,213
2032	205,000	348,213	553,213
2033	215,000	336,309	551,309
2034	225,000	326,569	551,569
2035	240,000	317,269	557,269
2036	250,000	307,469	557,469
2037	265,000	297,169	562,169
2038	280,000	286,269	566,269
2039	290,000	274,687	564,687
2040	305,000	262,225	567,225
2041	325,000	248,431	573,431
2042	340,000	233,256	573,256
2043	360,000	216,843	576,843
2044	375,000	199,387	574,387
2045	395,000	180,853	575,853
2046	420,000	160,987	580,987
2047	440,000	139,750	579,750
2048	465,000	117,125	582,125
2049	485,000	93,375	578,375
2050	515,000	68,375	583,375
2051	540,000	42,000	582,000
2052	570,000	14,250	584,250
Totals	$ 8,225,000	$ 6,388,838	$ 14,613,838

Waller County Municipal Utility District No. 35
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2026 **(Continued)**

Due During Fiscal Years Ending May 31	Road Series 2025		
	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ -	$ 214,638	$ 214,638
2028	90,000	211,713	301,713
2029	95,000	205,700	300,700
2030	100,000	199,363	299,363
2031	105,000	192,700	297,700
2032	110,000	185,713	295,713
2033	115,000	179,263	294,263
2034	120,000	173,988	293,988
2035	125,000	169,088	294,088
2036	135,000	163,888	298,888
2037	140,000	158,388	298,388
2038	150,000	152,588	302,588
2039	155,000	146,390	301,390
2040	165,000	139,687	304,687
2041	175,000	132,243	307,243
2042	180,000	124,143	304,143
2043	190,000	115,468	305,468
2044	200,000	106,206	306,206
2045	210,000	96,337	306,337
2046	225,000	85,734	310,734
2047	235,000	74,375	309,375
2048	245,000	62,375	307,375
2049	260,000	49,750	309,750
2050	275,000	36,375	311,375
2051	290,000	22,250	312,250
2052	300,000	7,500	307,500
Totals	$ 4,390,000	$ 3,405,863	$ 7,795,863

Waller County Municipal Utility District No. 35
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2026 **(Continued)**

Due During Fiscal Years Ending May 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2027	$ 160,000	$ 980,593	$ 1,140,593
2028	425,000	961,583	1,386,583
2029	450,000	933,382	1,383,382
2030	475,000	903,808	1,378,808
2031	495,000	873,318	1,368,318
2032	525,000	842,308	1,367,308
2033	555,000	812,852	1,367,852
2034	575,000	786,465	1,361,465
2035	610,000	760,387	1,370,387
2036	645,000	732,764	1,377,764
2037	675,000	703,712	1,378,712
2038	715,000	673,139	1,388,139
2039	745,000	641,408	1,386,408
2040	785,000	608,243	1,393,243
2041	835,000	572,205	1,407,205
2042	870,000	533,575	1,403,575
2043	920,000	492,586	1,412,586
2044	960,000	449,193	1,409,193
2045	1,015,000	403,221	1,418,221
2046	1,070,000	354,140	1,424,140
2047	1,125,000	301,878	1,426,878
2048	1,180,000	246,388	1,426,388
2049	1,240,000	187,962	1,427,962
2050	1,310,000	126,319	1,436,319
2051	1,065,000	69,050	1,134,050
2052	870,000	21,750	891,750
Totals	$ 20,295,000	$ 14,972,229	$ 35,267,229

Waller County Municipal Utility District No. 35
Changes in Long-Term Bonded Debt
Year Ended May 31, 2026

	Bond			
	Road Series 2023	**Series 2024**	**Road Series 2024**	**Series 2025**
Interest rates	4.75% to 6.50%	4.00% 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	September 1/ March 1
Maturity dates	September 1, 2026/2049	September 1, 2026/2050	September 1, 2026/2050	September 1, 2027/2051
Bonds outstanding, beginning of current year	$ 4,210,000	$ 1,170,000	$ 2,385,000	$ -
Bonds sold during the current year	-	-	-	8,225,000
Retirements, principal	85,000	-	-	-
Bonds outstanding, end of current year	$ 4,125,000	$ 1,170,000	$ 2,385,000	$ 8,225,000
Interest paid during the current year	$ 210,750	$ 53,350	$ 108,038	$ 219,805

Paying agent's name and address

Road Series 2023 – 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
Road Series 2024 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2025 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Road Series 2025 – 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	$ 9,395,000	$ -	$ 10,985,000	$ -
Remaining to be issued	$ 281,510,000	$ 64,650,000	$ 120,615,000	$ 487,155,000

Debt service fund cash and temporary investment balances as of May 31, 2026:	$ 1,569,956
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,356,432

Issues	
Road Series 2025	Totals
4.00% to 6.50%	
September 1/ March 1	
September 1, 2027/2051	
$ -	$ 7,765,000
4,390,000	12,615,000
-	85,000
$ 4,390,000	$ 20,295,000
$ 117,454	$ 709,397

Waller County Municipal Utility District No. 35
Comparative Schedule of Revenues and Expenditures – General Fund
Four Years Ended May 31, 2026, 2025, 2024, and 2023 and Period From Inception (June 10, 2019) to May 31, 2022

	Amounts				
	2026	2025	2024	2023	2022**
General Fund					
Revenues					
Property taxes	$ 1,140,667	$ 849,037	$ 222,816	$ 180,083	$ -
Water service	1,389,869	553,987	255,096	21,688	-
Sewer service	805,340	300,024	143,644	75,049	
Penalty and interest	81,815	16,190	15,140	84	-
Tap connection and inspection fees	2,075,165	1,116,869	421,123	267,960	-
Investment income	55,752	21,466	7,360	190	-
Sale of capacity	-	34,500	-	-	-
Other income	-	-	-	42,702	-
Total Revenues	5,548,608	2,892,073	1,065,179	587,756	-
Expenditures					
Service operations					
Purchased services	1,833,836	822,716	344,218	41,658	-
Professional fees	205,821	195,389	172,924	123,549	70,833
Contracted services	426,129	233,742	126,370	36,349	7,356
Repairs and maintenance	1,228,989	609,638	270,526	36,532	-
Other expenditures	59,536	44,141	42,078	29,393	27,196
Tap connections	769,206	446,622	157,397	100,100	-
Capital outlay	103,246	-	-	-	-
Purchase of capacity	-	34,500	-	-	-
Debt service					
Debt issuance costs	76,348	92,875	63,500	-	-
Contractual obligation	-	-	77,702	58,024	-
Total Expenditures	4,703,111	2,479,623	1,254,715	425,605	105,385
Excess (Deficiency) of Revenues Over Expenditures	845,497	412,450	(189,536)	162,151	(105,385)
Other Financing Sources (Uses)					
Interfund transfers in (out)	102,682	70,827	(32,407)	-	-
Developer advances received	-	-	-	104,000	87,000
Contribution from others	60,000	60,000	60,000	10,000	-
Total Other Financing Sources	162,682	130,827	27,593	114,000	87,000
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,008,179	543,277	(161,943)	276,151	(18,385)
Fund Balance (Deficit), Beginning of Period	639,100	95,823	257,766	(18,385)	-
Fund Balance (Deficit), End of Period	$ 1,647,279	$ 639,100	$ 95,823	$ 257,766	$ (18,385)
Total Active Retail Water Connections	1,599	948	419	180	N/A
Total Active Retail Wastewater Connections	1,554	926	414	180	N/A

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

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
20.6 %	29.4 %	20.9 %	30.6 %	* %
25.0	19.1	24.0	3.7	*
14.5	10.4	13.5	12.8	*
1.5	0.6	1.4	-	*
37.4	38.6	39.5	45.6	*
1.0	0.7	0.7	0.0	*
-	1.2	-	-	*
-	-	-	7.3	*
100.0	100.0	100.0	100.0	*
33.0	28.4	32.3	7.1	*
3.7	6.8	16.2	21.0	*
7.7	8.1	11.9	6.2	*
22.1	21.1	25.4	6.2	*
1.1	1.5	3.9	5.0	*
13.9	15.4	14.8	17.0	*
1.9	-	-	-	*
-	1.2	-	-	*
1.4	3.2	6.0	-	*
-	-	7.3	9.9	*
84.8	85.7	117.8	72.4	*
15.2 %	14.3 %	(17.8) %	27.6 %	* %

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

	Amounts		
	2026	**2025**	**2024**
Debt Service Fund			
Revenues			
Property taxes	$ 2,359,455	$ 986,747	$ 324,993
Penalty and interest	30,843	3,812	381
Investment income	46,418	24,602	11,170
Other income	1,167	-	224
Total Revenues	2,437,883	1,015,161	336,768
Expenditures			
Current			
Professional fees	7,241	5	-
Contracted services	53,662	25,531	14,282
Other expenditures	6,700	4,527	4,274
Debt service			
Principal retirement	85,000	-	-
Interest and fees	711,647	290,367	45,645
Contractual obligation	1,227,995	577,865	322,291
Total Expenditures	2,092,245	898,295	386,492
Excess (Deficiency) of Revenues Over Expenditures	345,638	116,866	(49,724)
Other Financing Sources			
Interfund transfers in	-	-	32,407
General obligation bonds issued	616,313	188,063	320,109
Total Other Financing Sources	616,313	188,063	352,516
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	961,951	304,929	302,792
Fund Balance, Beginning of Year	607,721	302,792	-
Fund Balance, End of Year	$ 1,569,672	$ 607,721	$ 302,792

Percent of Fund Total Revenues		
2026	**2025**	**2024**
96.8 %	97.2 %	96.5 %
1.3	0.4	0.1
1.9	2.4	3.3
0.0	-	0.1
100.0	100.0	100.0
0.3	0.0	-
2.2	2.5	4.2
0.2	0.5	1.3
3.5	-	-
29.2	28.6	13.6
50.4	56.9	95.7
85.8	88.5	114.8
14.2 %	11.5 %	(14.8) %

Waller County Municipal Utility District No. 35
Board Members, Key Personnel, and Consultants
Year Ended May 31, 2026

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 11, 2026
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	$ 2,652	$ 426	President
Ryan C. Ward	Elected 05/24–05/28	1,768	23	Vice President
Jaclyn Day	Elected 05/26–05/30	2,210	314	Secretary
Daniel C. Feiler	Elected 05/24–05/28	1,547	100	Assistant Secretary
Tiffani Walker	Elected 05/26–05/30	2,431	312	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, 2026 **(Continued)**

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bob Leared Interests	08/08/22	$ 29,269	Tax Assessor/ Collector
Cedar Creek Municipal Advisors, LLC	04/13/26	-	Financial Advisor
Forvis Mazars, LLP	08/08/22	67,900	Auditor
Municipal Accounts & Consulting, L.P.	08/10/21	73,246	Bookkeeper
Municipal District Services, L.L.C.	04/11/22	1,628,292	Operator
Quiddity Engineering, LLC	08/10/21	152,289	Engineer
Robert W. Baird & Co. Incorporated	08/10/21	330,788	Former Financial Advisor
Schwartz, Page & Harding, L.L.P.	08/10/21	111,661 428,161	General Counsel Bond Counsel
Waller County Appraisal District	Legislative Action	35,316	Appraiser
Investment Officers			
Mark Burton and Ghia Lewis	12/13/21	N/A	Bookkeepers