



Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas

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

September 30, 2025



Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
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September 30, 2025

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Independent Auditor's Report

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

Opinions

We have audited the financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas (District), as of and for the year ended September 30, 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 September 30, 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
March 31, 2026**

**Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Management's Discussion and Analysis
Year Ended September 30, 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 presented 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.

**Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
 Management’s Discussion and Analysis
 Year Ended September 30, 2025**

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 13,912,819	\$ 13,690,699
Capital assets	<u>27,406,188</u>	<u>28,538,081</u>
Total assets	<u>41,319,007</u>	<u>42,228,780</u>
Deferred outflows of resources	<u>1,393,416</u>	<u>1,550,876</u>
Total assets and deferred outflows of resources	<u>\$ 42,712,423</u>	<u>\$ 43,779,656</u>
Long-term liabilities	\$ 18,541,768	\$ 20,761,272
Other liabilities	<u>959,327</u>	<u>1,340,859</u>
Total liabilities	<u>19,501,095</u>	<u>22,102,131</u>

**Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Management’s Discussion and Analysis
Year Ended September 30, 2025**

Summary of Net Position (Continued)

	<u>2025</u>	<u>2024</u>
Net position		
Net investment in capital assets	\$ 10,257,836	\$ 9,283,686
Restricted	2,131,204	2,151,323
Unrestricted	<u>10,822,288</u>	<u>10,242,516</u>
Total net position	<u>\$ 23,211,328</u>	<u>\$ 21,677,525</u>

The total net position of the District increased by \$1,533,803, or about 7%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District’s bonded indebtedness, which is included in long-term liabilities in the government-wide financial statements. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes	\$ 3,913,090	\$ 3,818,632
City of Houston rebates	290,828	297,319
Charges for services	3,310,275	3,134,754
Other revenues	<u>724,287</u>	<u>833,318</u>
Total revenues	<u>8,238,480</u>	<u>8,084,023</u>
Expenses		
Services	4,845,969	4,438,516
Depreciation	1,121,661	1,105,082
Debt service	<u>737,047</u>	<u>790,201</u>
Total expenses	<u>6,704,677</u>	<u>6,333,799</u>
Change in net position	1,533,803	1,750,224
Net position, beginning of year	<u>21,677,525</u>	<u>19,927,301</u>
Net position, end of year	<u>\$ 23,211,328</u>	<u>\$ 21,677,525</u>

Financial Analysis of the District’s Funds

The District’s combined fund balances as of the end of the fiscal year ended September 30, 2025 were \$12,933,743, an increase of \$582,239 from the prior year.

The general fund’s fund balance increased by \$618,264 primarily due to property tax and City of Houston rebates revenues, service revenues, and investment income exceeding service operations and capital outlay expenditures.

**Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Management’s Discussion and Analysis
Year Ended September 30, 2025**

The debt service fund’s fund balance decreased by \$36,025 because bond principal and interest requirements and contracted services expenditures were greater than property tax revenues and investment income.

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, regional water fee revenues, and penalty and interest revenues as well as purchased services expenditures, professional fees expenditures, and contracted services expenditures being higher than anticipated. In addition, capital outlay expenditures were lower than anticipated. The fund balance as of September 30, 2025 was expected to be \$9,488,753, and the actual end-of-year fund balance was \$10,785,728.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 5,736,366	\$ 5,736,366
Construction in progress	13,215	357,031
Water facilities	5,071,435	5,051,510
Wastewater facilities	7,171,829	7,562,070
Drainage facilities	8,801,837	9,157,560
Parks and recreation	<u>611,506</u>	<u>673,544</u>
Total capital assets	<u>\$ 27,406,188</u>	<u>\$ 28,538,081</u>

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

Remote well generator addition	<u>\$ 2,242</u>
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Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2025 are summarized as follows:

Long-term debt payable, beginning of year	\$ 20,761,272
Decreases in long-term debt	<u>(2,219,504)</u>
Long-term debt payable, end of year	<u>\$ 18,541,768</u>

At September 30, 2025, the District had \$2,840,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer, and drainage systems within the District.

The District’s bonds carry an underlying rating of “AA-” from Standard & Poor’s. The District’s Series 2015 refunding, 2016 refunding, and 2021 refunding bonds carry a “AA” rating from Standard & Poor’s by virtue of bond insurance issued by Assured Guaranty Inc.

**Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Management's Discussion and Analysis
Year Ended September 30, 2025**

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 by the City without the District's consent, except as follows:

Strategic Partnership Agreement

Effective March 30, 2005, and as amended and restated May 8, 2012, the District entered into a Strategic Partnership Agreement (Agreement) with the City, which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years, at which time the City has the option to annex the District if it chooses to do so.

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2025

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 653,561	\$ 49,288	\$ 702,849	\$ -	\$ 702,849
Certificates of deposit	2,385,000	240,000	2,625,000	-	2,625,000
Short-term investments	6,847,319	458,604	7,305,923	-	7,305,923
Receivables					
Property taxes	12,560	32,131	44,691	-	44,691
Service accounts	618,560	-	618,560	-	618,560
Sales tax rebates	46,084	-	46,084	24,000	70,084
Due from others	618,373	1,412,587	2,030,960	-	2,030,960
Accrued interest	29,371	3,158	32,529	-	32,529
Interfund receivable	15,617	-	15,617	(15,617)	-
Deposit with other district	482,223	-	482,223	-	482,223
Capital assets (net of accumulated depreciation)					
Land and improvements	-	-	-	5,736,366	5,736,366
Construction in progress	-	-	-	13,215	13,215
Infrastructure	-	-	-	21,045,101	21,045,101
Parks and recreation	-	-	-	611,506	611,506
Total Assets	11,708,668	2,195,768	13,904,436	27,414,571	41,319,007
Deferred Outflows of Resources					
Deferred amount on debt refundings	-	-	-	1,393,416	1,393,416
Total Assets and Deferred Outflows of Resources	\$ 11,708,668	\$ 2,195,768	\$ 13,904,436	\$ 28,807,987	\$ 42,712,423

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2025

(Continued)

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Liabilities					
Accounts payable	\$ 709,450	\$ 5	\$ 709,455	\$ -	\$ 709,455
Accrued interest payable	-	-	-	48,942	48,942
Customer deposits	200,930	-	200,930	-	200,930
Interfund payable	-	15,617	15,617	(15,617)	-
Long-term liabilities					
Due within one year	-	-	-	2,220,000	2,220,000
Due after one year	-	-	-	16,321,768	16,321,768
Total Liabilities	910,380	15,622	926,002	18,575,093	19,501,095
Deferred Inflows of Resources					
Deferred property tax revenues	12,560	32,131	44,691	(44,691)	-
Fund Balances/Net Position					
Fund balances					
Restricted, unlimited tax bonds	-	2,148,015	2,148,015	(2,148,015)	-
Assigned					
Future expenditures	989,578	-	989,578	(989,578)	-
Operating reserve	482,223	-	482,223	(482,223)	-
Unassigned	9,313,927	-	9,313,927	(9,313,927)	-
Total fund balances	10,785,728	2,148,015	12,933,743	(12,933,743)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,708,668	\$ 2,195,768	\$ 13,904,436		
Net position					
Net investment in capital assets				10,257,836	10,257,836
Restricted for debt service				2,131,204	2,131,204
Unrestricted				10,822,288	10,822,288
Total net position				\$ 23,211,328	\$ 23,211,328

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended September 30, 2025

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 1,163,140	\$ 2,733,973	\$ 3,897,113	\$ 15,977	\$ 3,913,090
City of Houston rebates	290,330	-	290,330	498	290,828
Water service	757,024	-	757,024	-	757,024
Sewer service	877,721	-	877,721	-	877,721
Regional water fee	1,675,530	-	1,675,530	-	1,675,530
Penalty and interest	88,359	20,491	108,850	-	108,850
Tap connection and inspection fees	4,207	-	4,207	-	4,207
Investment income	430,902	119,886	550,788	-	550,788
Other income	72,916	-	72,916	(12,474)	60,442
Total Revenues	5,360,129	2,874,350	8,234,479	4,001	8,238,480
Expenditures/Expenses					
Service operations					
Purchased services	2,504,772	-	2,504,772	-	2,504,772
Professional fees	318,182	4,945	323,127	-	323,127
Contracted services	1,065,299	93,341	1,158,640	-	1,158,640
Utilities	176,795	-	176,795	-	176,795
Repairs and maintenance	529,711	-	529,711	49,556	579,267
Other expenditures	95,308	8,060	103,368	-	103,368
Capital outlay	51,798	-	51,798	(51,798)	-
Depreciation	-	-	-	1,121,661	1,121,661
Debt service					
Principal retirement	-	2,155,000	2,155,000	(2,155,000)	-
Interest and fees	-	649,029	649,029	88,018	737,047
Total Expenditures/Expenses	4,741,865	2,910,375	7,652,240	(947,563)	6,704,677
Excess (Deficiency) of Revenues Over Expenditures	618,264	(36,025)	582,239	(582,239)	
Change in Net Position				1,533,803	1,533,803
Fund Balances/Net Position					
Beginning of year	10,167,464	2,184,040	12,351,504	-	21,677,525
End of year	<u>\$ 10,785,728</u>	<u>\$ 2,148,015</u>	<u>\$ 12,933,743</u>	<u>\$ -</u>	<u>\$ 23,211,328</u>

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

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas (District), was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (Commission), effective September 2, 1981, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage 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.

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Notes to Financial Statements
September 30, 2025

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 funds revenues, expenditures, and changes in fund balances 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.

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Notes to Financial Statements
September 30, 2025

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 year 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. If the District mails tax statements after January 10, such taxes become delinquent on the first of the next month that is at least 21 days after mailing.

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 September 30, 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 September 30, 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.

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Notes to Financial Statements
September 30, 2025

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.

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
Parks and recreation	10–30 years

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

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. Premiums and discounts on bonds 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.

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Notes to Financial Statements
September 30, 2025

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.	\$ 27,406,188
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	44,691
Deferred amounts on debt refundings for governmental activities are not financial resources and are not reported in the funds.	1,393,416
Certain sales tax rebates are not receivable in the current period and are not reported in the funds.	24,000
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(48,942)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(18,541,768)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ 10,277,585</u>

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

Change in fund balances.	\$ 582,239
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. This is the amount by which depreciation expense and noncapitalized costs exceeded capital outlay expenditures in the current period.	(1,131,893)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	2,155,000
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.	16,475

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Notes to Financial Statements
September 30, 2025

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.

\$ (88,018)

Change in net position of governmental activities.

\$ 1,533,803

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 September 30, 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," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts, and investment pools.

The District has adopted a written investment policy that is more restrictive than state law as to categories of permissible investments in which the District may place its funds.

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 September 30, 2025, the District had the following investments and maturities:

<u>Type</u>	<u>Maturities in Years</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Texas CLASS	<u>\$ 7,305,923</u>	<u>\$ 7,305,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Notes to Financial Statements
September 30, 2025

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 September 30, 2025, 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 at September 30, 2025 as follows:

Carrying value	
Deposits	\$ 3,327,849
Investments	<u>7,305,923</u>
 Total	 <u><u>\$ 10,633,772</u></u>

Included in the following statement of net position captions:

Cash	\$ 702,849
Certificates of deposit	2,625,000
Short-term investments	<u>7,305,923</u>
 Total	 <u><u>\$ 10,633,772</u></u>

Investment Income

Investment income of \$550,788 for the year ended September 30, 2025 consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of September 30, 2025:

- Pooled investments of \$7,305,923 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 September 30, 2025 is presented as follows.

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Notes to Financial Statements
September 30, 2025

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Additions</u>	<u>Reclassi- fications/Retire- ments</u>	<u>Balances, End of Year</u>
Capital assets, non-depreciable				
Land and improvements	\$ 5,736,366	\$ -	\$ -	\$ 5,736,366
Construction in progress	357,031	-	(343,816)	13,215
Total capital assets, non-depreciable	<u>6,093,397</u>	<u>-</u>	<u>(343,816)</u>	<u>5,749,581</u>
Capital assets, depreciable				
Water production and distribution facilities	9,969,243	2,242	331,342	10,302,827
Wastewater collection and treatment facilities	14,116,759	-	-	14,116,759
Drainage facilities	16,011,673	-	-	16,011,673
Parks and recreation	1,240,779	-	-	1,240,779
Total capital assets, depreciable	<u>41,338,454</u>	<u>2,242</u>	<u>331,342</u>	<u>41,672,038</u>
Less accumulated depreciation				
Water production and distribution facilities	(4,917,733)	(313,659)	-	(5,231,392)
Wastewater collection and treatment facilities	(6,554,689)	(390,241)	-	(6,944,930)
Drainage facilities	(6,854,113)	(355,723)	-	(7,209,836)
Parks and recreation	(567,235)	(62,038)	-	(629,273)
Total accumulated depreciation	<u>(18,893,770)</u>	<u>(1,121,661)</u>	<u>-</u>	<u>(20,015,431)</u>
Total governmental activities, net	<u>\$ 28,538,081</u>	<u>\$ (1,119,419)</u>	<u>\$ (12,474)</u>	<u>\$ 27,406,188</u>

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2025 were as follows:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Decreases</u>	<u>Balances, End of Year</u>	<u>Amounts Due in One Year</u>
Bonds payable				
General obligation bonds	\$ 20,125,000	\$ 2,155,000	\$ 17,970,000	\$ 2,220,000
Add premiums on bonds	636,272	64,504	571,768	-
Total governmental activities long-term liabilities	<u>\$ 20,761,272</u>	<u>\$ 2,219,504</u>	<u>\$ 18,541,768</u>	<u>\$ 2,220,000</u>

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Notes to Financial Statements
September 30, 2025

General Obligation Bonds

	<u>Refunding Series 2015</u>	<u>Refunding Series 2016</u>
Amounts outstanding, September 30, 2025	\$8,030,000	\$8,185,000
Interest rates	3.00% to 3.25%	2.50% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2026/2032	September 1, 2026/2034
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2023	September 1, 2023
		<u>Refunding Series 2021</u>
Amount outstanding, September 30, 2025		\$1,755,000
Interest rates		1.00% to 3.00%
Maturity dates, serially beginning/ending		September 1, 2026/2030
Interest payment dates		March 1/September 1
Callable date*		September 1, 2026

*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 September 30, 2025:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,220,000	\$ 587,306	\$ 2,807,306
2027	2,260,000	524,481	2,784,481
2028	2,310,000	463,881	2,773,881
2029	2,370,000	393,931	2,763,931
2030	2,440,000	318,631	2,758,631
2031–2034	6,370,000	528,500	6,898,500
Total	<u>\$ 17,970,000</u>	<u>\$ 2,816,730</u>	<u>\$ 20,786,730</u>

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

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Notes to Financial Statements
September 30, 2025

Bonds voted	\$ 50,000,000
Bonds sold	47,160,000
Refunding bonds voted	50,000,000
Refunding bonds authorization utilized	2,892,311

Note 5. Significant Bond Order and Commission Requirements

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 September 30, 2025, the District levied an ad valorem debt service tax at the rate of \$0.2350 per \$100 of assessed valuation, which resulted in a tax levy of \$2,747,921 on the taxable valuation of \$1,169,328,015 for the 2024 tax year. The interest and principal requirements paid from the tax revenues and other available debt service fund resources were \$2,801,556.

Note 6. Maintenance Taxes

At an election held November 7, 2000, 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 September 30, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.1000 per \$100 of assessed valuation, which resulted in a tax levy of \$1,169,328 on the taxable valuation of \$1,169,328,015 for the 2024 tax year. Maintenance tax revenue is being used by the general fund to pay expenditures of operating the District.

Note 7. Regional Water Authority

The District is within the boundaries of North Fort Bend Water Authority (Authority), which was created by the Texas Legislature to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Fort Bend Subsidence District, which regulates groundwater withdrawal. During a prior fiscal year, the District and Fort Bend County Municipal Utility District No. 34 (District No. 34) began receiving surface water from the Authority to satisfy the bulk of their water demand. As of September 30, 2025, the Authority was billing District No. 34 \$4.55 per 1,000 gallons of water pumped from its wells and \$4.90 per 1,000 gallons of surface water purchased, which is allocated to each participant in the joint water plant facilities. These amounts are subject to future adjustments.

Note 8. Contracts With Other Districts

Waste Disposal

On April 27, 1999, the District and District No. 34 entered into a waste disposal agreement. Under the terms of the agreement, 100% of the capacity in a 100,000 gallons-per-day (gpd) interim wastewater treatment plant (Plant) would be allocated to District No. 34. The facility was subsequently enlarged to 350,000 gpd. Effective February 24, 2003, the agreement was amended and District No. 34 allocated 126,000 gpd of capacity to the District. Effective February 7, 2007, the agreement was amended to address the Phases III and IV expansions to the Plant. The Phase III expansion was completed in 2007, and Phase IV was completed in 2008. Under the terms of the agreement, which was last amended May 1, 2019, District No. 34 owns 297,000 gpd of capacity in the facility and the District owns 703,000 gpd of capacity in the facility. Operations and maintenance costs are shared by the District and District No. 34 based on active connections served by the plant. In the current year, the District's share of operating costs was \$494,918.

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Notes to Financial Statements
September 30, 2025

Condensed audited financial information for the Plant for the year ended September 30, 2025 is as follows:

	Plant General Fund
Total assets	\$ 269,509
Total liabilities	\$ 65,408
Total fund balance	204,101
Total liabilities and fund balance	\$ 269,509
Total revenues	\$ 888,749
Total expenditures	888,749
Excess revenues	\$ -

The District has deposited \$120,740 with District No. 34 as a plant operating reserve.

Water Supply

On April 27, 1999, the District and District No. 34 entered into a water supply agreement. The agreement was last amended May 1, 2019. Under the agreement, 2,154 equivalent single-family connections (ESFC) are reserved for District No. 34 and 2,383 ESFCs are reserved for the District.

Operation and maintenance costs are to be shared by the District and District No. 34 based on each district's pro rata share of the ESFC actually served by the Plant. In the current year, the District's share of operating costs was \$2,009,854.

Condensed financial information for the Plant for the year ended September 30, 2025 is as follows:

	Plant General Fund
Total assets	\$ 949,420
Total liabilities	\$ 342,952
Total fund balance	606,468
Total liabilities and fund balance	\$ 949,420
Total revenues	\$ 3,224,366
Total expenditures	3,224,366
Excess revenues	\$ -

The District has deposited \$361,483 with District No. 34 as a plant operating reserve.

Note 9. Risk Management

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

Note 10. Strategic Partnership Agreement

Effective March 30, 2005, and as amended and restated May 8, 2012, the District and the City of Houston (City) entered into a Strategic Partnership Agreement (Agreement), under which the City annexed a tract of land within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract of land. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer, and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current fiscal year, the District recorded revenues of \$290,828 under the Agreement.

Note 11. Loss From Theft and Related Recovery

On April 7, 2025, in a series of unauthorized transactions, approximately \$8.2 million of funds invested on behalf of the District in its general fund and debt service fund investment accounts were fraudulently transferred to outside financial institutions. Federal authorities were notified and the District engaged outside legal counsel to assist in collection efforts. The District has recovered approximately \$6.2 million of the fraudulently stolen funds and as of September 30, 2025, \$2,030,960 remains outstanding. The District continues to actively pursue all avenues available to recover the remaining balance.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Budgetary Comparison Schedule – General Fund
Year Ended September 30, 2025

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$ 1,150,000	\$ 1,163,140	\$ 13,140
City of Houston rebates	285,000	290,330	5,330
Water service	625,000	757,024	132,024
Sewer service	760,000	877,721	117,721
Regional water fee	1,450,000	1,675,530	225,530
Penalty and interest	45,000	88,359	43,359
Tap connection and inspection fees	4,000	4,207	207
Investment income	450,500	430,902	(19,598)
Other income	42,500	72,916	30,416
Total Revenues	<u>4,812,000</u>	<u>5,360,129</u>	<u>548,129</u>
Expenditures			
Service operations			
Purchased services	2,405,000	2,504,772	(99,772)
Professional fees	152,000	318,182	(166,182)
Contracted services	989,100	1,065,299	(76,199)
Utilities	165,000	176,795	(11,795)
Repairs and maintenance	546,111	529,711	16,400
Other expenditures	118,500	95,308	23,192
Capital outlay	1,115,000	51,798	1,063,202
Total Expenditures	<u>5,490,711</u>	<u>4,741,865</u>	<u>748,846</u>
Excess (Deficiency) of Revenues Over Expenditures	(678,711)	618,264	1,296,975
Fund Balance, Beginning of Year	<u>10,167,464</u>	<u>10,167,464</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 9,488,753</u></u>	<u><u>\$ 10,785,728</u></u>	<u><u>\$ 1,296,975</u></u>

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Notes to Required Supplementary Information
September 30, 2025

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's Board and its 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 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

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Other Schedules Included Within This Report
September 30, 2025

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

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

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Schedule of Services and Rates
Year Ended September 30, 2025

1. Services provided by the District

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 20.60	10,000	N	\$ 1.25	10,001 to 15,000
				\$ 1.75	15,001 to 20,000
				\$ 2.25	20,001 to 30,000
				\$ 2.75	30,001 to 40,000
				\$ 3.25	40,001 to No Limit
Wastewater:	\$ 34.32	1	Y		
Regional water fee:	\$ 4.90	1	N	\$ 4.90	1,001 to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 69.60	Wastewater \$ 34.32

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	1,926	1,923	x1.0	1,923
1"	218	217	x2.5	543
1 1/2"	5	5	x5.0	25
2"	68	68	x8.0	544
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	2,217	2,213		3,035
Total wastewater	2,099	2,095	x1.0	2,095

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

Gallons pumped into the system:	596,031
Gallons billed to customers:	574,663
Water accountability ratio (gallons billed/gallons pumped):	96.41%

*"ESFC" means equivalent single-family connections

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Schedule of General Fund Expenditures
Year Ended September 30, 2025

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 24,900	
Legal	261,255	
Engineering	32,027	
Financial advisor	<u>-</u>	318,182
Purchased Services for Resale		
Bulk water and wastewater service purchases		2,504,772
Regional Water Fee		-
Contracted Services		
Bookkeeping	59,010	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	171,306	
Other contracted services	<u>226,384</u>	456,700
Utilities		176,795
Repairs and Maintenance		529,711
Administrative Expenditures		
Directors' fees	25,030	
Office supplies	4,409	
Insurance	15,746	
Other administrative expenditures	<u>50,123</u>	95,308
Capital Outlay		
Capitalized assets	2,242	
Expenditures not capitalized	<u>49,556</u>	51,798
Tap Connection Expenditures		-
Solid Waste Disposal		608,599
Fire Fighting		-
Parks and Recreation		-
Debt Service		<u>-</u>
Total Expenditures		<u><u>\$ 4,741,865</u></u>

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Schedule of Temporary Investments
September 30, 2025

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
Certificates of Deposit				
No. 1310	3.50%	06/09/26	\$ 240,000	\$ 2,601
No. 8068	4.18%	06/10/26	235,000	3,014
No. 0923	4.25%	06/09/26	235,000	3,092
No. 8617	4.00%	07/21/26	235,000	1,828
No. 9714	4.00%	12/06/25	240,000	2,972
No. 9160	4.27%	12/06/25	240,000	3,173
No. 2639	4.40%	12/10/25	240,000	3,240
No. 8797	4.25%	12/06/25	240,000	3,158
No. 6243	4.15%	12/06/25	240,000	3,083
No. 4480	4.32%	12/09/25	240,000	3,210
Texas CLASS	4.26%	Demand	<u>6,847,319</u>	<u>-</u>
			<u>9,232,319</u>	<u>29,371</u>
Debt Service Fund				
Certificate of Deposit				
No. 8821	4.25%	02/04/26	240,000	3,158
Texas CLASS	4.26%	Demand	<u>458,604</u>	<u>-</u>
			<u>698,604</u>	<u>3,158</u>
Totals			<u>\$ 9,930,923</u>	<u>\$ 32,529</u>

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Analysis of Taxes Levied and Receivable
Year Ended September 30, 2025

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 7,551	\$ 21,163
Additions and corrections to prior years' taxes	(1,179)	(2,980)
Adjusted Receivable, Beginning of Year	<u>6,372</u>	<u>18,183</u>
2024 Original Tax Levy	1,168,526	2,746,036
Additions and corrections	802	1,885
Adjusted tax levy	<u>1,169,328</u>	<u>2,747,921</u>
Total to Be Accounted For	1,175,700	2,766,104
Tax collections: Current year	(1,160,578)	(2,727,358)
Prior years	(2,562)	(6,615)
Receivable, End of Year	<u>\$ 12,560</u>	<u>\$ 32,131</u>
Receivable, by Years		
2024	\$ 8,750	\$ 20,563
2023	929	2,370
2022	716	1,874
2021	535	1,773
2020	479	1,664
2019	470	1,634
2018	238	772
2017	251	829
2016	192	652
Receivable, End of Year	<u>\$ 12,560</u>	<u>\$ 32,131</u>

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Analysis of Taxes Levied and Receivable
Year Ended September 30, 2025

(Continued)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property Valuations				
Land	\$ 267,821,602	\$ 209,275,748	\$ 209,287,070	\$ 208,927,470
Improvements	897,513,101	867,830,452	774,565,297	650,067,067
Personal property	19,228,098	18,167,498	16,640,575	15,518,600
Exemptions	<u>(15,234,786)</u>	<u>(14,021,967)</u>	<u>(12,718,662)</u>	<u>(9,920,602)</u>
Total Property Valuations	<u>\$ 1,169,328,015</u>	<u>\$ 1,081,251,731</u>	<u>\$ 987,774,280</u>	<u>\$ 864,592,535</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.2350	\$ 0.2550	\$ 0.2750	\$ 0.3150
Maintenance tax rates*	<u>0.1000</u>	<u>0.1000</u>	<u>0.1050</u>	<u>0.0950</u>
Total Tax Rates per \$100 Valuation	<u>\$ 0.3350</u>	<u>\$ 0.3550</u>	<u>\$ 0.3800</u>	<u>\$ 0.4100</u>
Tax Levy	<u>\$ 3,917,249</u>	<u>\$ 3,838,444</u>	<u>\$ 3,753,543</u>	<u>\$ 3,544,829</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.50 on November 7, 2000

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

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2025

Due During Fiscal Years Ending September 30	Refunding Series 2015		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 1,130,000	\$ 247,681	\$ 1,377,681
2027	1,160,000	213,781	1,373,781
2028	1,195,000	178,981	1,373,981
2029	1,220,000	143,131	1,363,131
2030	1,225,000	106,531	1,331,531
2031	1,600,000	68,250	1,668,250
2032	500,000	16,250	516,250
Totals	\$ 8,030,000	\$ 974,605	\$ 9,004,605

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2025

(Continued)

Due During Fiscal Years Ending September 30	Refunding Series 2016		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 755,000	\$ 304,675	\$ 1,059,675
2027	760,000	285,800	1,045,800
2028	765,000	266,800	1,031,800
2029	785,000	236,200	1,021,200
2030	850,000	204,800	1,054,800
2031	965,000	170,800	1,135,800
2032	950,000	132,200	1,082,200
2033	1,185,000	94,200	1,279,200
2034	1,170,000	46,800	1,216,800
Totals	<u>\$ 8,185,000</u>	<u>\$ 1,742,275</u>	<u>\$ 9,927,275</u>

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2025

(Continued)

Due During Fiscal Years Ending September 30	Refunding Series 2021		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 335,000	\$ 34,950	\$ 369,950
2027	340,000	24,900	364,900
2028	350,000	18,100	368,100
2029	365,000	14,600	379,600
2030	365,000	7,300	372,300
Totals	\$ 1,755,000	\$ 99,850	\$ 1,854,850

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2025

(Continued)

<u>Due During Fiscal Years Ending September 30</u>	<u>Annual Requirements For All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total Principal and Interest Due</u>
2026	\$ 2,220,000	\$ 587,306	\$ 2,807,306
2027	2,260,000	524,481	2,784,481
2028	2,310,000	463,881	2,773,881
2029	2,370,000	393,931	2,763,931
2030	2,440,000	318,631	2,758,631
2031	2,565,000	239,050	2,804,050
2032	1,450,000	148,450	1,598,450
2033	1,185,000	94,200	1,279,200
2034	1,170,000	46,800	1,216,800
Totals	<u>\$ 17,970,000</u>	<u>\$ 2,816,730</u>	<u>\$ 20,786,730</u>

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Changes in Long-Term Bonded Debt
Year Ended September 30, 2025

	Bond Issues			Totals
	Refunding Series 2015	Refunding Series 2016	Refunding Series 2021	
Interest rates	3.00% to 3.25%	2.50% to 4.00%	1.00% to 3.00%	
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity dates	September 1, 2026/2032	September 1, 2026/2034	September 1, 2026/2030	
Bonds outstanding, beginning of current year	\$ 9,150,000	\$ 8,905,000	\$ 2,070,000	\$ 20,125,000
Retirements, principal	<u>1,120,000</u>	<u>720,000</u>	<u>315,000</u>	<u>2,155,000</u>
Bonds outstanding, end of current year	<u>\$ 8,030,000</u>	<u>\$ 8,185,000</u>	<u>\$ 1,755,000</u>	<u>\$ 17,970,000</u>
Interest paid during current year	<u>\$ 281,281</u>	<u>\$ 320,875</u>	<u>\$ 44,400</u>	<u>\$ 646,556</u>
Paying agent's name and address				
	Series 2015 – Regions Bank, Houston, Texas			
	Series 2016 – Regions Bank, Houston, Texas			
	Series 2021 – Regions Bank, Houston, Texas			
Bond authority				
	Tax Bonds	Other Bonds	Refunding Bonds	
Amount authorized by voters	\$ 50,000,000	\$ -	\$ 50,000,000	
Amount of authorization issued	\$ 47,160,000	\$ -	\$ 2,892,311	
Remaining authorization to be issued	<u>\$ 2,840,000</u>	<u>\$ -</u>	<u>\$ 47,107,689</u>	
Debt service fund cash and temporary investment balances as of September 30, 2025:			<u>\$ 747,892</u>	
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 2,309,637</u>	

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended September 30,

	Amounts				
	2025	2024	2023	2022	2021
General Fund					
Revenues					
Property taxes	\$ 1,163,140	\$ 1,073,027	\$ 1,038,577	\$ 816,838	\$ 805,307
City of Houston rebates	290,330	294,722	301,929	284,568	240,513
Water service	757,024	726,656	805,115	782,423	705,192
Sewer service	877,721	890,578	883,047	885,537	882,683
Regional water fee	1,675,530	1,517,520	1,833,161	1,757,461	1,381,813
Penalty and interest	88,359	67,658	49,143	59,399	46,971
Tap connection and inspection fees	4,207	6,123	770	11,783	10,638
Investment income	430,902	524,902	424,585	65,074	28,469
Other income	72,916	38,545	-	37,935	25,670
Total Revenues	5,360,129	5,139,731	5,336,327	4,701,018	4,127,256
Expenditures					
Service operations					
Purchased services	2,504,772	2,305,819	2,591,788	2,411,615	2,007,091
Professional fees	318,182	128,548	110,519	115,756	134,178
Contracted services	1,065,299	965,416	819,660	806,385	776,355
Utilities	176,795	175,887	146,765	146,297	144,377
Repairs and maintenance	529,711	530,965	385,907	531,353	529,037
Other expenditures	95,308	146,166	86,484	91,089	87,804
Tap connections	-	-	-	-	2,294
Capital outlay	51,798	590,822	512,831	119,067	394,586
Total Expenditures	4,741,865	4,843,623	4,653,954	4,221,562	4,075,722
Excess of Revenues Over Expenditures	618,264	296,108	682,373	479,456	51,534
Other Financing Sources					
Insurance proceeds	-	-	-	4,741	-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	618,264	296,108	682,373	484,197	51,534
Fund Balance, Beginning of Year	10,167,464	9,871,356	9,188,983	8,704,786	8,653,252
Fund Balance, End of Year	\$ 10,785,728	\$ 10,167,464	\$ 9,871,356	\$ 9,188,983	\$ 8,704,786
Total Active Retail Water Connections	2,213	2,213	2,209	2,215	2,208
Total Active Retail Wastewater Connections	2,095	2,095	2,091	2,097	2,089

Percent of Fund Total Revenues

<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
21.7 %	20.9 %	19.5 %	17.4 %	19.5 %
5.4	5.7	5.7	6.0	5.8
14.1	14.2	15.1	16.6	17.1
16.4	17.3	16.5	18.8	21.4
31.3	29.5	34.3	37.4	33.5
1.6	1.3	0.9	1.3	1.1
0.1	0.1	0.0	0.3	0.3
8.0	10.2	8.0	1.4	0.7
1.4	0.8	-	0.8	0.6
100.0	100.0	100.0	100.0	100.0
46.7	44.9	48.6	51.3	48.6
5.9	2.5	2.1	2.5	3.3
19.9	18.8	15.4	17.2	18.8
3.3	3.4	2.7	3.1	3.5
9.9	10.3	7.2	11.3	12.8
1.8	2.8	1.6	1.9	2.1
-	-	-	-	0.1
1.0	11.5	9.6	2.5	9.6
88.5	94.2	87.2	89.8	98.8
11.5 %	5.8 %	12.8 %	10.2 %	1.2 %

Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended September 30,

	Amounts				
	2025	2024	2023	2022	2021
Debt Service Fund					
Revenues					
Property taxes	\$ 2,733,973	\$ 2,735,958	\$ 2,722,764	\$ 2,708,179	\$ 2,797,255
Penalty and interest	20,491	16,125	19,748	16,013	23,278
Investment income	119,886	187,340	163,317	26,302	13,021
Total Revenues	<u>2,874,350</u>	<u>2,939,423</u>	<u>2,905,829</u>	<u>2,750,494</u>	<u>2,833,554</u>
Expenditures					
Current					
Professional fees	4,945	4,178	4,346	1,236	4,195
Contracted services	93,341	70,414	70,923	67,983	56,340
Other expenditures	8,060	6,708	6,868	5,742	5,359
Debt service					
Principal retirement	2,155,000	2,100,000	2,030,000	1,970,000	1,935,000
Interest and fees	649,029	704,826	776,125	835,975	895,768
Debt defeasance	-	-	-	-	36,000
Debt issuance costs	-	-	-	-	127,399
Total Expenditures	<u>2,910,375</u>	<u>2,886,126</u>	<u>2,888,262</u>	<u>2,880,936</u>	<u>3,060,061</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(36,025)</u>	<u>53,297</u>	<u>17,567</u>	<u>(130,442)</u>	<u>(226,507)</u>
Other Financing Sources (Uses)					
General obligation bonds issued	-	-	-	-	2,945,000
Deposit with escrow agent	-	-	-	-	(2,957,631)
Premium on bonds	-	-	-	-	143,818
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,187</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(36,025)</u>	<u>53,297</u>	<u>17,567</u>	<u>(130,442)</u>	<u>(95,320)</u>
Fund Balance, Beginning of Year	<u>2,184,040</u>	<u>2,130,743</u>	<u>2,113,176</u>	<u>2,243,618</u>	<u>2,338,938</u>
Fund Balance, End of Year	<u>\$ 2,148,015</u>	<u>\$ 2,184,040</u>	<u>\$ 2,130,743</u>	<u>\$ 2,113,176</u>	<u>\$ 2,243,618</u>

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
95.1 %	93.1 %	93.7 %	98.5 %	98.7 %
0.7	0.5	0.7	0.6	0.8
4.2	6.4	5.6	0.9	0.5
100.0	100.0	100.0	100.0	100.0
0.2	0.1	0.2	0.1	0.1
3.2	2.4	2.4	2.4	2.0
0.3	0.2	0.2	0.2	0.2
75.0	71.5	69.9	71.6	68.3
22.6	24.0	26.7	30.4	31.6
-	-	-	-	1.3
-	-	-	-	4.5
101.3	98.2	99.4	104.7	108.0
(1.3) %	1.8 %	0.6 %	(4.7) %	(8.0) %

**Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Board Members, Key Personnel, and Consultants
Year Ended September 30, 2025**

Complete District mailing address:	Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas 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):	April 25, 2025
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
Piero Battistini	Elected 05/22– 05/26	\$ 3,978	\$ 273	President
Sergio Handal	Elected 05/22– 05/26	7,200	617	Vice President
Trevor Eynon	Elected 05/24– 05/28	5,746	741	Secretary
Garima D. Gupta	Elected 05/24– 05/28	4,862	1,737	Assistant Secretary
Shah Haleem	Elected 05/22– 05/26	3,244	475	Assistant Secretary

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

**Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas
Board Members, Key Personnel, and Consultants
Year Ended September 30, 2025**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BGE, Inc.	09/04/13	\$ 32,027	Engineer
Clarity Consulting Corporation	12/07/22	19,600	Former Bookkeeper
Fort Bend Central Appraisal District	Legislative Action	52,339	Appraiser
Forvis Mazars, LLP	09/01/04	25,500	Auditor
Inframark, LLC	01/02/04	681,760	Operator
Masterson Advisors LLC	06/06/18	-	Financial Advisor
Municipal Accounts & Consulting, L.P.	04/17/25	41,855	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	2004	4,945	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	02/29/84	136,766	General Counsel
Tax Tech, Incorporated	12/02/02	48,605	Tax Assessor/ Collector
Investment Officer			
Mark M. Burton and Ghia Lewis	4/25/2025	N/A	Bookkeeper