

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36**

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2026

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Water Control
and Improvement District No. 36
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Water Control and Improvement District No. 36 (the "District") as of and for the year ended June 30, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2026, and the respective changes in financial position 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. 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 the 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 twelve 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 generally accepted auditing standards 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 generally accepted auditing standards, 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, the Budgetary Comparison Schedule – General Fund, the Notes to the Budgetary Comparison Schedule – General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of District Contributions - Pensions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the Other Supplementary Information included in the annual report. The Other Supplementary Information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the Other Supplementary Information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

September 22, 2026

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2026**

Management's discussion and analysis of the financial performance of Harris County Water Control and Improvement District No. 36 (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2026. Please read it in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities, deferred inflows of resources, and deferred outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2026**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explains the differences between the two presentations and assists in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain Required Supplementary Information ("RSI") and other supplementary information including the budgetary comparison schedule for the General Fund, the notes to the budgetary comparison schedule for the General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of District Contributions. Supplementary Information necessary to comply with Commission reporting requirements as well as Other Supplementary Information are also included in this report.

FINANCIAL SUMMARY AND DETAILED ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,044,934 as of June 30, 2026. A portion of the District's net position reflects its net investment in capital assets which includes land, buildings and equipment as well as the water and wastewater facilities less any debt used to acquire those assets that is still outstanding.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2026**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of the changes in the Statement of Net Position as of June 30, 2026 and June 30, 2025.

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2026</u>	<u>2025</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 25,248,863	\$ 26,589,649	\$ (1,340,786)
Capital Assets (Net of Accumulated Depreciation)	<u>35,111,371</u>	<u>32,877,065</u>	<u>2,234,306</u>
Total Assets	<u>\$ 60,360,234</u>	<u>\$ 59,466,714</u>	<u>\$ 893,520</u>
Deferred Outflows of Resources	<u>\$ 494,940</u>	<u>\$ 654,625</u>	<u>\$ (159,685)</u>
Bonds Payable	\$ 9,215,000	\$ 10,500,000	\$ 1,285,000
Other Liabilities	<u>2,171,392</u>	<u>1,846,168</u>	<u>(325,224)</u>
Total Liabilities	<u>\$ 11,386,392</u>	<u>\$ 12,346,168</u>	<u>\$ 959,776</u>
Deferred Inflows of Resources	<u>\$ 423,848</u>	<u>\$ 349,732</u>	<u>\$ (74,116)</u>
Net Position:			
Net Investment in Capital Assets	\$ 29,587,039	\$ 28,453,799	\$ 1,133,240
Restricted	2,288,829	1,857,403	431,426
Unrestricted	<u>17,169,066</u>	<u>17,114,237</u>	<u>54,829</u>
Total Net Position	<u>\$ 49,044,934</u>	<u>\$ 47,425,439</u>	<u>\$ 1,619,495</u>

The table on the following page provides a comparative analysis of the District's operations for the years ending June 30, 2026 and June 30, 2025. The District's net position increased by \$1,619,495. Revenues, of which 66% consists of charges for services, increased by \$116,876 compared to the prior fiscal year. This increase is primarily due to the increase in charges for services. The property tax rate levied was \$0.2308 per \$100 of assessed value, a small decrease from the prior year. This slight decrease coupled with a small increase in assessed valuations resulted in very little variance in total property tax revenues when compared to the prior year. Expenditures this fiscal year were \$459,017 more than the prior fiscal year, an increase of approximately 6%, which is principally attributable to rising consumer prices.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2026**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2026</u>	<u>2025</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 1,476,889	\$ 1,460,517	\$ 16,372
Sales Taxes	745,871	736,919	8,952
Charges for Services	6,905,981	6,809,793	96,188
Other Revenues	<u>1,358,604</u>	<u>1,363,240</u>	<u>(4,636)</u>
Total Revenues	<u>\$ 10,487,345</u>	<u>\$ 10,370,469</u>	<u>\$ 116,876</u>
Expenses:			
Service Operations	\$ 7,004,611	\$ 6,584,443	\$ (420,168)
Depreciation	1,674,485	1,641,701	(32,784)
Debt Service	<u>188,754</u>	<u>182,689</u>	<u>(6,065)</u>
Total Expenses	<u>\$ 8,867,850</u>	<u>\$ 8,408,833</u>	<u>\$ (459,017)</u>
Change in Net Position	\$ 1,619,495	\$ 1,961,636	\$ (342,141)
Net Position, Beginning of Year	<u>47,425,439</u>	<u>45,463,803</u>	<u>1,961,636</u>
Net Position, End of Year	<u>\$ 49,044,934</u>	<u>\$ 47,425,439</u>	<u>\$ 1,619,495</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2026, were \$21,727,380, a decrease of \$2,047,683 from the prior year. Primarily due to capital expenditures from prior bond issues.

The General Fund fund balance decreased by \$47,578, as a result of current year operating expenditures, capital outlay and transfers out exceeding service revenues and sales tax revenues. Of the General Fund fund balance, \$120,132 is considered nonspendable for prepaid costs and operating advance held by the water authority. The remaining \$15,915,423 is unassigned and can be used by the District to fund day-to-day operations.

The Debt Service Fund fund balance increased by \$385,961, primarily due to the structure of the District's outstanding debt and a transfer from the General Fund.

The Capital Projects Fund fund balance decreased by \$2,386,066, primarily due to capital outlay paid from proceeds of bonds issued in prior years.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2026**

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the General Fund which was amended during the current fiscal year. For additional information, see the budget to actual comparison and related notes presented as RSI.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

CAPITAL ASSETS

Capital assets total \$35,111,371 as of June 30, 2026 and include land, equipment and buildings as well as the water and wastewater systems. Significant capital asset activity during the current fiscal year included the following:

Construction in Progress:

- Haden Road Lift Station Improvements
- Waxahachie & Brownwood Water Plants-Electrical Improvements
- Lift Station Replacements
- Haymarket/Timberwood Lift Station Improvements

Completed Projects/Purchases:

- Facility SCADA Improvements
- Land for Redmond Lift Station
- Easement for Haden Lift Station
- Roof replacement for Office and Shop
- Push camera
- Track gate, and related components at Waxahachie Well Site

	Capital Assets At Year-End		
	2026	2025	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,392,719	\$ 1,031,329	\$ 361,390
Construction in Progress	3,411,898	1,155,232	2,256,666
Capital Assets Subject to Depreciation:			
Building, Vehicles and Equipment	7,968,372	6,677,637	1,290,735
Water System	19,608,357	19,608,357	
Wastewater System	27,665,527	27,665,527	
Capacity Interest in Shared Facilities	2,082,611	2,082,611	
Less Accumulated Depreciation	(27,018,113)	(25,343,628)	(1,674,485)
Total Net Capital Assets	<u>\$ 35,111,371</u>	<u>\$ 32,877,065</u>	<u>\$ 2,234,306</u>

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2026**

LONG-TERM DEBT ACTIVITY

As of June 30, 2026, the District had total bond debt payable of \$9,215,000. All bonds are private placements. The changes in bonds payable during the current fiscal year are summarized in the following table:

Bond Debt Payable, July 1, 2025	\$ 10,500,000
Less: Bond Principal Paid	<u>(1,285,000)</u>
Bond Debt Payable, June 30, 2026	<u>\$ 9,215,000</u>

During the current year, at an election held May 2, 2026 voters approved the issuance of \$84,800,000 in bonds and \$84,800,000 in refunding bonds for the construction, repair, and replacement of waterworks system facilities, sanitary sewer system facilities and drainage facilities and the levy of property taxes adequate to provide for payment of the bonds.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The adopted budget for fiscal year 2027 projects an increase in the General Fund fund balance of \$7,000 and includes total budgeted revenues of \$7,838,180 and total budgeted expenditures of \$7,831,180. The increases in revenues and expenditures are both approximately 4% over the prior year budgeted amounts and approximately 7% below the current fiscal year actual results.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Water Control and Improvement District No. 36, 903 Hollywood Street, Houston, Texas 77015.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2026**

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 1,807,685	\$ 109,950
Investments	15,028,839	1,893,233
Receivables:		
Property Taxes		224,816
Penalty and Interest on Delinquent Taxes		
Service Accounts	584,861	
Due from City of Houston	184,770	
Net Pension Asset		
Prepaid Costs - Security	41,374	
Advance for Water Authority Operations	78,758	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 17,726,287</u>	<u>\$ 2,227,999</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Plan Charges	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 17,726,287</u>	<u>\$ 2,227,999</u>

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 14,653	\$ 1,932,288	\$	\$ 1,932,288
4,108,045	21,030,117		21,030,117
	224,816		224,816
		109,460	109,460
	584,861		584,861
	184,770		184,770
		1,062,419	1,062,419
	41,374		41,374
	78,758		78,758
		1,392,719	1,392,719
		3,411,898	3,411,898
		30,306,754	30,306,754
<u>\$ 4,122,698</u>	<u>\$ 24,076,984</u>	<u>\$ 36,283,250</u>	<u>\$ 60,360,234</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 494,940</u>	<u>\$ 494,940</u>
<u>\$ 4,122,698</u>	<u>\$ 24,076,984</u>	<u>\$ 36,778,190</u>	<u>\$ 60,855,174</u>

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2026**

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 381,073	\$ 2,026
Accrued Compensated Absences	152,345	
Accrued Interest Payable		
Security Deposits	1,157,314	
Long-term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 1,690,732</u>	<u>\$ 2,026</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$	\$ 224,816
Pension Plan Income		
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ -0-</u>	<u>\$ 224,816</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 41,374	\$
Operating Advances	78,758	
Restricted for Authorized Construction		
Restricted for Debt Service		2,001,157
Unassigned	<u>15,915,423</u>	
TOTAL FUND BALANCES	<u>\$ 16,035,555</u>	<u>\$ 2,001,157</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 17,726,287</u>	<u>\$ 2,227,999</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 432,030	\$ 815,129 152,345 1,157,314	\$ 46,604	\$ 815,129 152,345 46,604 1,157,314
		1,300,000	1,300,000
		7,915,000	7,915,000
<u>\$ 432,030</u>	<u>\$ 2,124,788</u>	<u>\$ 9,261,604</u>	<u>\$ 11,386,392</u>
\$	\$ 224,816	\$ (224,816)	\$
		423,848	423,848
<u>\$ -0-</u>	<u>\$ 224,816</u>	<u>\$ 199,032</u>	<u>\$ 423,848</u>
\$	\$ 41,374	\$ (41,374)	\$
	78,758	(78,758)	
3,690,668	3,690,668	(3,690,668)	
	2,001,157	(2,001,157)	
	15,915,423	(15,915,423)	
<u>\$ 3,690,668</u>	<u>\$ 21,727,380</u>	<u>\$ (21,727,380)</u>	<u>\$ - 0 -</u>
<u>\$ 4,122,698</u>	<u>\$ 24,076,984</u>		
		\$ 29,587,039	\$ 29,587,039
		2,288,829	2,288,829
		17,169,066	17,169,066
		<u>\$ 49,044,934</u>	<u>\$ 49,044,934</u>

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2026**

Total Fund Balances - Governmental Funds	\$	21,727,380
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Net pension assets, pension liabilities, and pension related deferred charges are recorded in the government-wide financial statements.		1,133,511
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		35,111,371
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2025 and prior tax levies became part of recognized revenue in the governmental activities of the District.		334,276
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (46,604)	
Bonds Payable	<u>(9,215,000)</u>	<u>(9,261,604)</u>
Total Net Position - Governmental Activities	\$	<u>49,044,934</u>

The accompanying notes to the financial
statements are an integral part of this report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2026**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$	\$ 1,453,768
Water Service	4,656,054	
Wastewater Service	918,136	
Solid Waste Disposal	1,032,823	
Penalty and Interest	71,599	64,427
Connection and Inspection Fees	146,154	
Investment Revenues	649,312	49,258
Sales Taxes	745,871	
Miscellaneous Revenues	439,254	2,461
TOTAL REVENUES	<u>\$ 8,659,203</u>	<u>\$ 1,569,914</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 2,164,275	\$
Professional Services	594,826	24,319
Contracted Services	1,166,090	69,113
Purchased Water Service	1,411,058	
Purchased Wastewater Service	419,975	
Repairs and Maintenance	292,899	
Utilities	218,918	
Depreciation		
Other	731,834	13,711
Capital Outlay	1,304,406	
Debt Service:		
Bond Principal		1,285,000
Bond Interest		169,310
Bond Issuance Costs	25,000	
TOTAL EXPENDITURES/EXPENSES	<u>\$ 8,329,281</u>	<u>\$ 1,561,453</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 329,922</u>	<u>\$ 8,461</u>
OTHER FINANCING SOURCES (USES)		
Transfers In/(Out)	\$ (377,500)	\$ 377,500
NET CHANGE IN FUND BALANCES	\$ (47,578)	\$ 385,961
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2025	<u>16,083,133</u>	<u>1,615,196</u>
FUND BALANCES/NET POSITION - JUNE 30, 2026	<u>\$ 16,035,555</u>	<u>\$ 2,001,157</u>

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,453,768	\$ 23,121	\$ 1,476,889
	4,656,054		4,656,054
	918,136		918,136
	1,032,823		1,032,823
	136,026	16,788	152,814
	146,154		146,154
218,319	916,889		916,889
	745,871		745,871
	441,715		441,715
<u>\$ 218,319</u>	<u>\$ 10,447,436</u>	<u>\$ 39,909</u>	<u>\$ 10,487,345</u>
\$	\$ 2,164,275	\$ (102,407)	\$ 2,061,868
	619,145		619,145
	1,235,203		1,235,203
	1,411,058		1,411,058
	419,975		419,975
	292,899		292,899
	218,918		218,918
		1,674,485	1,674,485
	745,545		745,545
2,604,385	3,908,791	(3,908,791)	
	1,285,000	(1,285,000)	
	169,310	(5,556)	163,754
	25,000		25,000
<u>\$ 2,604,385</u>	<u>\$ 12,495,119</u>	<u>\$ (3,627,269)</u>	<u>\$ 8,867,850</u>
<u>\$ (2,386,066)</u>	<u>\$ (2,047,683)</u>	<u>\$ 3,667,178</u>	<u>\$ 1,619,495</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ (2,386,066)	\$ (2,047,683)	\$ 2,047,683	\$
		1,619,495	1,619,495
<u>6,076,734</u>	<u>23,775,063</u>	<u>23,650,376</u>	<u>47,425,439</u>
<u>\$ 3,690,668</u>	<u>\$ 21,727,380</u>	<u>\$ 27,317,554</u>	<u>\$ 49,044,934</u>

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026**

Net Change in Fund Balances - Governmental Funds	\$ (2,047,683)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	23,121
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	16,788
---	--------

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,674,485)
--	-------------

Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	3,908,791
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The changes in the pension related assets and liabilities as well as deferred inflows and outflows of resources are recorded in the government-wide financial statements.	102,407
---	---------

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,285,000
---	-----------

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	5,556
---	-------

Change in Net Position - Governmental Activities	\$ 1,619,495
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The accompanying notes to the financial
statements are an integral part of this report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 1. CREATION OF DISTRICT

Harris County Water Control and Improvement District No. 36 (the “District”) was originally created by an order of the Harris County Commissioner’s Court, effective January 6, 1943. Pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all firefighting activities within the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

The District has entered into a joint venture with Harris County Fresh Water Supply District No. 51 and Harris County Municipal Utility District No. 53 for the construction and operation of a regional wastewater treatment plant. Oversight responsibility of the wastewater treatment plant is by Harris County Fresh Water Supply District No. 51. Additional disclosure concerning this joint venture is provided in Note 8.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted.

These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation).
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be major funds. The General Fund accounts for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. During the current year, the District transferred \$377,500 to the Debt Service Fund from the General Fund to fund future debt service payments.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs, that extend the life of an asset, are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 3 to 45 years.

Budgeting

An annual budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has 13 full-time employees. Payments are made into the Social Security System for their benefit, into an individual retirement account (see Note 9), and pension plan (see Note 10).

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds and finally unassigned funds.

Accounting 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 3. LONG-TERM DEBT

Changes in bonds payable during the current fiscal year are summarized in the following table:

	July 1, 2025	Additions	Retirements	June 30, 2026
Bonds Payable	<u>\$ 10,500,000</u>	<u>\$ -0-</u>	<u>\$ 1,285,000</u>	<u>\$ 9,215,000</u>
		Amount Due Within One Year		\$ 1,300,000
		Amount Due After One Year		<u>7,915,000</u>
		Total Bonds Payable		<u>\$ 9,215,000</u>

All bonds are private placement bonds. The District's bonds payable at June 30, 2026, consist of the following:

	Series 2014	Refunding Series 2020	Series 2021
Amount Outstanding - June 30, 2026	\$1,950,000	\$1,585,000	\$5,680,000
Interest Rates	1.73%-2.27%	1.23%	1.77%
Maturity Dates – Serially Beginning/Ending	September 1, 2026/2034	September 15, 2026/2028	September 1, 2026/2036
Interest Payment Dates	September 1/ March 1	September 15/ March 15	September 1/ March 1
Callable Dates	March 1, 2026 (1)	Callable at Any Time (1)	Callable at Any Time (1)

- (1) Or any date thereafter, in inverse order of maturing at a redemption price of par, including accrued interest to the date fixed for redemption.

As of June 30, 2026, the District had authorized but unissued bonds in the amount of \$88,415,000 for utility facilities and authorized but unissued bonds in the amount of \$120,990,000 for refunding purposes. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2026, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2027	\$ 1,300,000	\$ 150,034	\$ 1,450,034
2028	1,320,000	130,279	1,450,279
2029	1,005,000	115,070	1,120,070
2030	705,000	97,395	802,395
2031	720,000	84,252	804,252
2032-2036	3,595,000	212,372	3,807,372
2037	570,000	5,044	575,044
	<u>\$ 9,215,000</u>	<u>\$ 794,446</u>	<u>\$ 10,009,446</u>

During the year ended June 30, 2026, the District levied an ad valorem debt service tax rate of \$0.2308 per \$100 of assessed valuation, which resulted in a tax levy of \$1,481,416 on the adjusted taxable valuation of \$641,861,322 for the 2025 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each five-year anniversary of the date of delivery of the bonds.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$1,932,288 and the bank balance was \$2,512,824. Of the bank balance, \$359,053 was covered by FDIC insurance and the remaining balance was covered by collateral pledged in the name of the District and held in a third-party depository. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2026, as follows:

	<u>Cash</u>
GENERAL FUND	\$ 1,807,685
DEBT SERVICE FUND	109,950
CAPITAL PROJECTS FUND	<u>14,653</u>
TOTAL DEPOSITS	<u>\$ 1,932,288</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest which is reviewed annually and which may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas State Comptroller of Public Accounts has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of June 30, 2026, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 15,028,839	\$ 15,028,839
<u>DEBT SERVICE FUND</u>		
TexPool	1,893,233	1,893,233
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>4,108,045</u>	<u>4,108,045</u>
TOTAL INVESTMENTS	<u>\$ 21,030,117</u>	<u>\$ 21,030,117</u>

Credit risk is the risk that the issuer or other counterparty for an investment will not fulfill its obligations. As of June 30, 2026, the District's investments in TexPool were rated AAAM by Standard and Poor's rating service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have maturities of less than one year since the share positions can usually be redeemed each day at the discretion of the District unless there have been significant changes in values.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash and investments of the Debt Service Fund are restricted for payment of debt service and cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Changes in capital assets during the current fiscal year are summarized in the following table:

	July 1, 2025	Increases	Decreases	June 30, 2026
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,031,329	\$ 361,390	\$	\$ 1,392,719
Construction in Progress	<u>1,155,232</u>	<u>3,547,401</u>	<u>1,290,735</u>	<u>3,411,898</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,186,561</u>	<u>\$ 3,908,791</u>	<u>\$ 1,290,735</u>	<u>\$ 4,804,617</u>
Capital Assets Subject to Depreciation				
Building, Vehicles and Equipment	\$ 6,677,637	\$ 1,290,735	\$	\$ 7,968,372
Water System	19,608,357			19,608,357
Wastewater System	27,665,527			27,665,527
Capacity in NCWA Facilities	1,185,276			1,185,276
Capacity in HC FWSD 51 Facilities	<u>897,335</u>			<u>897,335</u>
Total Capital Assets Subject to Depreciation	<u>\$ 56,034,132</u>	<u>\$ 1,290,735</u>	<u>\$ - 0 -</u>	<u>\$ 57,324,867</u>
Accumulated Depreciation				
Building, Vehicles and Equipment	\$ 4,140,340	\$ 433,977	\$	\$ 4,574,317
Water System	6,750,035	462,280		7,212,315
Wastewater System	13,277,863	724,592		14,002,455
Capacity in NCWA Facilities	721,476	29,632		751,108
Capacity in HC FWSD 51 Facilities	<u>453,914</u>	<u>24,004</u>		<u>477,918</u>
Total Accumulated Depreciation	<u>\$ 25,343,628</u>	<u>\$ 1,674,485</u>	<u>\$ - 0 -</u>	<u>\$ 27,018,113</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 30,690,504</u>	<u>\$ (383,750)</u>	<u>\$ - 0 -</u>	<u>\$ 30,306,754</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 32,877,065</u>	<u>\$ 3,525,041</u>	<u>\$ 1,290,735</u>	<u>\$ 35,111,371</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 7. MAINTENANCE TAX

The Board of Directors of the District have the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. Such tax would be in addition to taxes which the District is authorized to levy for paying principal and interest on outstanding bonds, and any tax bonds which may be issued in the future. To date, an election has not been held to authorize a maintenance tax, and thus no maintenance tax has been levied.

NOTE 8. CONTRACTS WITH OTHER GOVERNMENTAL ENTITIES

North Channel Water Authority

On May 24, 1990, the District entered into a contract with the North Channel Water Authority (the "Authority"), a conservation and reclamation district and political subdivision of the State of Texas. The contract continues until December 31, 2040, and year-to-year thereafter until payment in full of the principal, premium, if any, and interest on all bonds and all related fees to be paid under any bond resolution of the Authority is made. Oversight of the Authority is exercised by the Board of Directors of the Authority. The Authority purchases treated surface water from the City of Houston and has constructed distribution lines to convey such surface water to the District and others so that the participants in the Authority's regional water supply system can meet the requirements of the Harris-Galveston Subsidence District for conversion to 80% surface water consisting of a combination of surface water and ground water from existing wells.

The District contractually agreed to participate in the cost of the construction of the surface water distribution lines. The District paid its share of the Authority's debt issued to construct such facilities.

The District also pays for its share of the Authority's operating costs. The District's share of operating costs was \$1,411,058 during the fiscal year ended June 30, 2026. In a prior year, the District contributed \$78,758 for its share of the Authority's operating reserve.

The following summary financial data of the North Channel Water Authority is presented for the fiscal year ending December 31, 2025. Separate financial statements may be obtained by contacting the Authority's attorney.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 8. CONTRACTS WITH OTHER GOVERNMENTAL ENTITIES (Continued)

North Channel Water Authority (Continued)

	Joint Venture
Total Assets	\$ 18,269,006
Total Liabilities	<u>3,783,046</u>
Total Net Position	<u>\$ 14,485,960</u>
Operating Revenues	\$ 13,609,062
Operating Expenses	<u>13,669,471</u>
Operating Income	\$ (60,409)
Total Non-Operating Revenues (Expenses)	<u>243,215</u>
Change in Net Position	\$ 182,806
Net Position, Beginning of Year	<u>14,303,154</u>
Net Position, End of Year	<u>\$ 14,485,960</u>

Regional Wastewater Treatment Plant

On June 10, 1974, the District, Harris County Fresh Water Supply District No. 51 (“District No 51”) and Harris County Municipal Utility District No. 53 entered into a 40-year contract for the purpose of sharing the cost of constructing and operating the Harris County Fresh Water Supply District No. 51 Regional Wastewater Treatment Plant (the “Plant”). On May 2, 2004, the three districts amended the contract. Oversight of the Plant is exercised by the Board of Directors of District No. 51. Construction costs of the Plant were funded by the contribution of funds from each participating district. The Plant issues no debt. At June 30, 2026, ownership capacity in the Plant was as follows:

	Capacity In Gallons Per Day	Percentage
Harris County Municipal Utility District No. 53	2,250,000	35.71%
Harris County Water Control and Improvement District No. 36	1,500,000	23.81
Harris County Fresh Water Supply District No. 51	<u>2,550,000</u>	<u>40.48</u>
TOTAL	<u><u>6,300,000</u></u>	<u><u>100.00%</u></u>

Monthly operating costs of the Plant are shared by the participants based on each participant’s monthly water production, then subtracting any metered water usage that does not flow to the Plant. During the year ended June 30, 2026, the District’s share of the Plant’s operating expenditures was \$419,975.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 8. CONTRACTS WITH OTHER GOVERNMENTAL ENTITIES (Continued)

The following summary financial data of the regional wastewater treatment plant is presented for the fiscal year ending June 30, 2025, (the most recently available audited financial statements). Separate financial statements may be obtained by contacting District No. 51's attorney.

	<u>Joint Venture</u>
Total Assets	\$ 395,249
Total Liabilities	<u>275,371</u>
Total Fund Balance (Reserves)	<u>\$ 119,878</u>
Total Revenues	\$ 1,510,257
Total Expenditures	<u>1,510,257</u>
Net Change in Fund Balance	\$ - 0 -
Beginning Fund Balance	<u>119,878</u>
Ending Fund Balance (Reserves)	<u>\$ 119,878</u>

NOTE 9. EMPLOYEE RETIREMENT BENEFITS AND ACCRUED COMPENSATED ABSENCES

The District has established a plan whereby eligible employees can provide for retirement income through an employer sponsored Roth individual retirement account (IRA) through USAA Investment Services Company. Any regular full-time employee of the District may elect to participate in the plan immediately after the 90-day probation period. The District withholds half of the amount to be contributed for that month from the two pay periods that month. The monthly amount from the employee and the District is determined by the employee according to the Contribution Schedule established by the District. All of the contributions are fully vested and are controlled by the employee. The District has no unfunded liabilities for employee Roth IRA payments as of the balance sheet date.

Employees are allowed to earn 15 sick leave days per year. All employees have 12 days for vacation per year; after five years of continuous service, employees receive 18 days of vacation per year; after 10 years of service, employees receive 24 days of vacation per year; after 20 years of service, employees receive 30 days of vacation per year. At the end of every calendar year, the District pays every employee for up to half of all unused vacation days and up to 75% of unused sick leave days. Upon termination of employment, whether voluntary or involuntary, including retirement, employees receive payment for unused vacation days and up to 75% of unused sick leave days. In the prior year, the District recorded a liability of \$140,428 for accrued compensated absences. The increase in the current year was \$11,917 for a balance of \$152,345 at year end.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 10. PENSION PLAN

Plan Description

The District provides retirement for its full and part-time non-temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of approximately 900 nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) which includes financial statements, notes and required supplementary information which can be obtained at www.tcdrs.org.

Benefits Provided

Benefit provisions are adopted by the District, within the options available in the Texas state statutes governing the TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service, regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by the District.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credit. The level of these monetary credits is adopted by the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic cost-of-living adjustments. Each year the District may elect an ad hoc cost-of-living adjustment for its retirees (if any).

At December 31, 2025, the valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled but not yet receiving benefits	0
Active employees	<u>13</u>
Total	<u><u>18</u></u>

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 36

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

NOTE 10. PENSION PLAN (Continued)

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 10.04% for the months of the 2025 accounting year and a rate of 10.19% for the months of the 2026 accounting year. The deposit rate payable by the employee members for calendar years 2026 and 2025 is 7.00% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act. For the District's contributions to TCDRS for the year ended June 30, 2026 was \$188,379; and were exceed the required contributions. The employees' contributions to TCDRS for the year ended June 30, 2026, were \$95,846.

Actuarial Assumptions

The total pension liability in the December 31, 2025, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	12/31/25
Actuarial cost method	entry age (level percentage of pay)
Amortization method:	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumption changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Actuarial Assumptions:	
Investment return ¹	7.5%
Projected salary increases	Varies by age and service
Inflation	2.50%
Cost-of-living adjustments	0.0%

¹Includes inflation at the stated rate, net of expenses

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 10. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2021-2024. They were recommended by the TCDRS actuary, Milliman, and adopted by the TCDRS Board of Trustees in December of 2025. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2025. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2025. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Mortality rates were based on the following:

Depositing members – 135% of Pub-2010 General Employees Amount-Weighted Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Service retirees, beneficiaries and non-depositing members – 130% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males, and 120% of the Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Disabled retirees – 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 150% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the sum of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 10. PENSION PLAN (Continued)

Discount Rate (Continued)

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. The funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act are such that a depletion is not projected to occur.

Since the fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. For GASB 68 this long-term assumed rate of return is net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 7.60% which reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, NEPC, LLC. The numbers shown are based on January 2026 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current return assumption (7.60% gross of administrative expenses) at their March 2021 meeting and reaffirmed it at their December 2025 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Estimated geometric real rates of return for each major asset class are summarized on the following page.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 10. PENSION PLAN (Continued)

Long-Term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	13.00 %	2.00 %
Global Equities	4.00	2.20
International Equities-Developed Markets	6.00	1.80
International Equities-Emerging Markets	0.00	2.50
Investment-Grade Bonds	3.00	2.20
Strategic Credit	9.00	5.60
Direct Lending	16.00	5.40
Distressed Debt	4.00	5.30
Gold	3.00	0.60
REIT Equities	1.00	3.30
Master Limited Partnerships	1.00	2.50
Commodities	1.00	0.70
Private Real Estate Partnerships	6.00	4.60
Private Equity	25.00	5.60
Hedge Funds	6.00	3.30
Cash Equivalents	2.00	1.30
	<u>100.00 %</u>	

Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension Liability	\$ 7,247,990	\$ 6,418,838	\$ 5,721,923
Fiduciary net position	<u>7,481,257</u>	<u>7,481,257</u>	<u>7,481,257</u>
Net pension liability (asset)	<u>\$ (233,267)</u>	<u>\$ (1,062,419)</u>	<u>\$ (1,759,334)</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 10. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2025, are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances of December 31, 2024	\$ 5,859,525	\$ 6,585,736	\$ (726,211)
Changes for the year:			
Service Costs	247,427		247,427
Interest on total pension liability	455,511		455,511
Effect of plan changes	20,517		20,517
Effect of economic/demographic gains or losses	59,032		59,032
Effect of assumption changes or inputs	7,818		7,818
Refund of contributions	(3,963)	(3,963)	
Benefit payments	(227,029)	(227,029)	
Administrative Expense		(3,858)	3,858
Member contributions		99,466	(99,466)
Net investment income		831,088	(831,088)
Employer contributions		192,662	(192,662)
Other		7,155	(7,155)
Balances of December 31, 2025	<u>\$ 6,418,838</u>	<u>\$ 7,481,257</u>	<u>\$ (1,062,419)</u>

Deferred Inflows/Outflows of Resources

As of December 31, 2025, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 159,863	\$
Changes of assumptions	83,491	1,768
Differences between projected and actual earnings	147,529	422,080
Contributions subsequent to the measurement date	104,057	
Total	<u>\$ 494,940</u>	<u>\$ 423,848</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 10. PENSION PLAN (Continued)

Deferred Inflows/Outflows of Resources (Continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2026	\$ 85,114
2027	(65,020)
2028	(37,936)
2029	(40,143)
2030	15,467
Thereafter	9,550

NOTE 11. GRANT PROGRAMS

On August 23, 2022, the District executed a grant contract with Harris County, Texas. The agreement provides for the District to participate in a Community Development Block Grant for the purposes of phase IV wastewater system improvements. Total grant funds allocated to the District are \$636,001. The District is required by the grant contract to spend \$193,638 of its own funds toward the engineering and construction costs of the project. An amendment to this grant contract was approved which increased the required leverage amount to \$423,999. Harris County will also contribute administration and inspection services at a cost of \$19,080 for this project. The wastewater system improvements, phase 4, was completed in a prior year.

NOTE 12. EMERGENCY WATER SUPPLY AGREEMENT

On October 9, 2003, the District executed an emergency water supply agreement with Harris County Fresh Water Supply District No. 47 (District No. 47). The agreement provides for the supply of water during a temporary period defined as a maximum of 15 days unless otherwise agreed to in writing. District No. 47 constructed at its sole cost, the facilities to interconnect with the District's water facilities. The districts pay for water supplied at the current rate for water charged by District No. 53 pursuant to the agreement between the District and District 53. The term of this agreement is ten years. Thereafter, the agreement is automatically renewed for one-year periods until either district gives 30 days written notice or cancellation prior to the anniversary of the agreement.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective March 31, 2005, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas which was amended on December 12, 2008, and November 22, 2013. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Subject Tract” for the limited purposes within the Subject Tract within the boundaries of the District.

The District continues to develop, to own, and to operate and maintain a water and wastewater system in the District. None of the taxable property within the District is liable for any present or future debts of the City, and current and future taxes levied by the City are not and will not be levied on taxable property within the District. Provisions of the Regulatory Plan adopted by the City are applicable to the Subject Tract of land within the District. The District’s assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation.

Upon annexation for limited purposes of the Subject Tract by the City, the qualified voters of the Subject Tract may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Subject Tract.

The City imposes a Sales and Use Tax within the boundaries of the Subject tract. The Sales and Use Tax is imposed on the receipts from the sales and use at commercial establishment of taxable items at the rate of 1% or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agrees to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract. The City agrees to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller’s office.

In consideration of the sales tax payment and the City’s limited annexation of the Subject Tract in the District, the parties agreed the City will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement.

The term of this Agreement is 30 years from the effective date of the agreement. During the current fiscal year, the District recorded \$745,871 in sales tax revenue from the City of Houston.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 14. 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. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, mobile equipment, general liability, boiler and machinery, errors and omissions, public employee dishonesty, automobile, and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 15. NEW ACCOUNTING PRONOUNCEMENT

GASB Statement No. 103 was issued in April 2024 and became effective for the District in fiscal year 2026. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an entity's accountability. For the District, GASB Statement No. 103 impacted Management's Discussion and Analysis and the budgetary comparison information for the General Fund but did not have an impact on the District's basic financial statements.

NOTE 16. SUBSEQUENT EVENT - BOND SALE

Subsequent to year end, on September 22, 2026, the District issued \$3,615,000 of its Unlimited Tax Bonds, Series 2026. Proceeds will be used for engineering, construction and contingency costs for Haden Lift Station and Redmond Lift Station replacement projects. Proceeds will also be used for capitalized interest and costs of issuing the bonds.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36**

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2026

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026**

	Budgeted Amounts		Variance with Original Budget Over (Under) Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget- Over (Under) Actual Amounts
	Original	Final			
REVENUES					
Water Service	\$ 4,573,750	\$ 4,621,000	\$ 47,250	\$ 4,656,054	\$ 35,054
Wastewater Service	920,000	930,000	10,000	918,136	(11,864)
Solid Waste Disposal	858,900	858,900		1,032,823	173,923
Penalty and Interest	69,000	74,000	5,000	71,599	(2,401)
Connection and Inspection Fees	69,000	104,000	35,000	146,154	42,154
Investment Revenues	240,000	60,000	(180,000)	649,312	589,312
Sales Tax Revenues	750,000	750,000		745,871	(4,129)
Miscellaneous Revenues	115,500	144,500	29,000	194,684 *	50,184
TOTAL REVENUES	<u>\$ 7,596,150</u>	<u>\$ 7,542,400</u>	<u>\$ (53,750)</u>	<u>\$ 8,414,633</u>	<u>\$ 872,233</u>
EXPENDITURES					
Service Operations:					
Personnel	\$ 2,484,000	\$ 2,424,000	\$ (60,000)	\$ 2,164,275	\$ (259,725)
Professional Services	786,500	787,500	1,000	594,826	(192,674)
Contracted Services	1,102,400	1,102,400		1,166,090	63,690
Purchased Water Service	1,450,000	1,450,000		1,411,058	(38,942)
Purchased Wastewater Service	460,000	460,000		419,975	(40,025)
Repairs and Maintenance	291,500	291,500		292,899	1,399
Utilities	174,880	170,200	(4,680)	218,918	48,718
Other	646,000	711,000	65,000	756,834	45,834
Capital Outlay	193,870	140,000	(53,870)	1,059,836 *	919,836
TOTAL EXPENDITURES	<u>\$ 7,589,150</u>	<u>\$ 7,536,600</u>	<u>\$ (52,550)</u>	<u>\$ 8,084,711</u>	<u>\$ 548,111</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 7,000</u>	<u>\$ 5,800</u>	<u>\$ (1,200)</u>	<u>\$ 329,922</u>	<u>\$ 324,122</u>
OTHER FINANCING SOURCES (USES)					
Transfers In/(Out)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (377,500)</u>	<u>\$ (377,500)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 7,000</u>	<u>\$ 5,800</u>	<u>\$ (1,200)</u>	<u>\$ (47,578)</u>	<u>\$ (53,378)</u>
FUND BALANCE - JULY 1, 2025	<u>16,083,133</u>	<u>16,083,133</u>		<u>16,083,133</u>	
FUND BALANCE - JUNE 30, 2026	<u>\$ 16,090,133</u>	<u>\$ 16,088,933</u>	<u>\$ (1,200)</u>	<u>\$ 16,035,555</u>	<u>\$ (53,378)</u>

* Net of developer funds reimbursing \$244,570 of capital costs

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
NOTES TO THE BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026**

The unappropriated budget is adopted annually for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting, the modified accrual basis of accounting which is consistent with generally accepted accounting principals. The original General Fund budget for the current year was adopted on May 27, 2025 and was amended February 10, 2026.

For the fiscal year ended June 30, 2026, actual revenues were \$872,233 more than budget primarily due to water service, solid waste disposal, connection and inspection fees, investment and miscellaneous revenues coming in higher than anticipated. This is largely due to investment revenues and solid waste disposal revenues coming in higher than expected. In addition, expenditures were \$548,111 higher than budget primarily due to capital outlay costs coming in higher than expected. Transfers were not included in the budget. Overall, the District finished the year \$53,378 under budget.

Additionally, the Harris County Flood Control District and Harris County Precinct No. 2 have begun addressing their aging infrastructure that are located within the District. These improvements to drainage and rights-of-way require the District to relocate and adjust its infrastructure impacted by this work. The District is not able to anticipate the increases in engineering and overall construction costs that result.

Amendments to the original budget decreased expected revenue and decreased expected expenditures for a net decrease in the budget of \$1,200. The decrease in expected revenues were primarily due to reduction to expected investment revenues. The District did not include the General Fund investment accounts in their operating budget expectations. Expected service revenues and miscellaneous revenues were increased per an updated analysis of expectations. The decrease in expected expenditures were primarily due to the decrease in capital outlay costs paid from the General Fund. The District did not include the capital outlay costs paid from the General Fund investment accounts in their operating budget expectations. The decrease in expected personnel and utility costs were offset by increases in expected other costs per an updated analysis of expectations.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2026**

	Year Ended December 31,			
	2016	2017	2018	2019
Total Pension Liability				
Service Cost	\$ 144,404	\$ 175,048	\$ 191,866	\$ 213,205
Interest on total pension liability	84,680	127,101	164,274	206,319
Effect of plan changes	389,289	116,508	129,926	112,066
Effect of assumption changes or inputs		4,701		
Effect of economic/demographic (gains) or losses	(8,061)	18,751	23,429	66,931
Benefit payments/refunds of contributions				(23,993)
Net change in total pension liability	\$ 610,312	\$ 442,109	\$ 509,495	\$ 574,528
Total pension liability, beginning	783,784	1,394,096	1,836,205	2,345,700
Total pension liability, ending (a)	<u>\$ 1,394,096</u>	<u>\$ 1,836,205</u>	<u>\$ 2,345,700</u>	<u>\$ 2,920,228</u>
Fiduciary Net Position				
Employer contributions	\$ 115,372	\$ 207,537	\$ 244,227	\$ 311,295
Member contributions	71,406	79,083	86,869	107,396
Investment income net of investment expenses	28,869	93,373	(14,769)	215,796
Benefit payments/refunds of contributions				(23,993)
Administrative Expense	(314)	(659)	(1,057)	(1,478)
Other	15,091	3,834	9,963	13,784
Net change in fiduciary net position	\$ 230,424	\$ 383,168	\$ 325,233	\$ 622,800
Fiduciary net position, beginning	377,685	608,109	991,277	1,316,510
Fiduciary net position, ending (b)	<u>\$ 608,109</u>	<u>\$ 991,277</u>	<u>\$ 1,316,510</u>	<u>\$ 1,939,310</u>
Net pension liability/(asset), ending = (a) - (b)	<u>\$ 785,987</u>	<u>\$ 844,928</u>	<u>\$ 1,029,190</u>	<u>\$ 980,918</u>
Fiduciary net position as a percentage of total pension liability	43.62%	53.99%	56.12%	66.41%
Pensionable covered payroll	\$ 1,020,082	\$ 1,129,757	\$ 1,240,988	\$ 1,534,231
Net pension liability as a percentage of covered payroll	77.05%	74.79%	82.93%	63.94%

See accompanying independent auditor's report.

2020	2021	2022	2023	2024	2025
\$ 200,973	\$ 239,928	\$ 255,100	\$ 268,042	\$ 264,959	\$ 247,427
250,590	297,267	337,215	377,108	417,555	455,511
124,945			18,699		20,517
230,357	(4,713)				7,818
28,011	34,066	28,654	45,096	41,401	59,032
<u>(56,093)</u>	<u>(56,093)</u>	<u>(56,093)</u>	<u>(163,878)</u>	<u>(183,799)</u>	<u>(230,992)</u>
\$ 778,783	\$ 510,455	\$ 564,876	\$ 545,067	\$ 540,116	\$ 559,313
<u>2,920,228</u>	<u>3,699,011</u>	<u>4,209,466</u>	<u>4,774,342</u>	<u>5,319,409</u>	<u>5,859,525</u>
<u>\$ 3,699,011</u>	<u>\$ 4,209,466</u>	<u>\$ 4,774,342</u>	<u>\$ 5,319,409</u>	<u>\$ 5,859,525</u>	<u>\$ 6,418,838</u>
\$ 1,910,571	\$ 178,790	\$ 146,716	\$ 177,058	\$ 177,535	\$ 192,662
89,072	94,457	99,904	103,542	103,562	99,466
204,315	934,720	(326,834)	571,547	601,750	831,088
(56,093)	(56,093)	(56,093)	(163,878)	(183,799)	(230,992)
(3,030)	(2,866)	(3,041)	(3,072)	(3,585)	(3,858)
<u>57,704</u>	<u>7,293</u>	<u>31,253</u>	<u>7,925</u>	<u>7,096</u>	<u>7,155</u>
\$ 2,202,539	\$ 1,156,301	\$ (108,095)	\$ 693,122	\$ 702,559	\$ 895,521
<u>1,939,310</u>	<u>4,141,849</u>	<u>5,298,150</u>	<u>5,190,055</u>	<u>5,883,177</u>	<u>6,585,736</u>
<u>\$ 4,141,849</u>	<u>\$ 5,298,150</u>	<u>\$ 5,190,055</u>	<u>\$ 5,883,177</u>	<u>\$ 6,585,736</u>	<u>\$ 7,481,257</u>
<u>\$ (442,838)</u>	<u>\$ (1,088,684)</u>	<u>\$ (415,713)</u>	<u>\$ (563,768)</u>	<u>\$ (726,211)</u>	<u>\$ (1,062,419)</u>
111.97%	125.86%	108.71%	110.60%	112.39%	116.55%
\$ 1,272,457	\$ 1,349,388	\$ 1,427,199	\$ 1,479,169	\$ 1,479,457	\$ 1,420,939
-34.80%	-80.68%	-29.13%	-38.11%	-49.09%	-74.77%

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2026**

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2017	\$ 115,372	\$ 115,372	\$ - 0 -	\$ 1,020,082	11.3%
2018	\$ 207,537	\$ 207,537	\$ - 0 -	\$ 1,129,757	18.4%
2019	\$ 244,227	\$ 244,227	\$ - 0 -	\$ 1,240,988	19.7%
2020	\$ 311,295	\$ 311,295	\$ - 0 -	\$ 1,534,231	20.3%
2021	\$ 264,926	\$ 1,910,571	\$ (1,645,645)	\$ 1,272,457	150.1%
2022	\$ 113,920	\$ 203,920	\$ (90,000)	\$ 1,366,189	14.9%
2023	\$ 154,902	\$ 154,902	\$ - 0 -	\$ 1,506,827	10.3%
2024	\$ 163,129	\$ 188,129	\$ (25,000)	\$ 1,466,947	12.8%
2025	\$ 157,331	\$ 157,331	\$ - 0 -	\$ 1,418,404	11.1%
2026	\$ 138,379	\$ 188,379	\$ (50,000)	\$ 1,369,233	13.8%

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 36
SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2026**

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
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Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll 12/31/2022 and earlier; Level dollar after 12/31/2022
Remaining Amortization Period	17.9 years(based on contribution rate calculated in 12/31/2025 funding valuation)
Asset Valuation Method	5-year smoothed market with offsetting of gains and losses
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions from 2016 through current	<p>2017: New mortality assumptions were reflected.</p> <p>2019: New inflation, mortality and other assumptions were reflected.</p> <p>2022: New investment return and inflation assumptions were reflected.</p> <p>2023: New mortality and other assumptions were reflected.</p>
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions from 2016 through current	<p>2016: Employer contributions reflect that the prior service matching rate was increased to 25%.</p> <p>2017: Employer contributions reflect that the current service matching rate was increased to 200% and the prior service matching rate was increased to 40%. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017.</p> <p>2018: Employer contributions reflect that the current service matching rate was increased to 205% and the prior service matching rate was increased to 45%.</p> <p>2019: Employer contributions reflect that the current service matching rate was increased to 210% and the prior service matching rate was increased to 50%.</p> <p>2020: Employer contributions reflect that the current service matching rate was increased to 215% and the prior service matching rate was increased to 55%</p> <p>2021: Employer contributions reflect that the current service matching rate was increased to 220% and the prior service matching rate was increased to 60%</p> <p>2024: Employer contributions reflect that the current service matching rate was increased to 225% for future benefits.</p> <p>2022, 2023, 2025: No changes in plan provisions were reflected in the Schedule.</p>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JUNE 30, 2026

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2026**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> X </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> X </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

The following rates are based on the rate order effective July 1, 2026.

	Minimum Charge	Minimum Usage	Flat Rate	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 63.97*	3,000	N	\$ 9.34 \$ 10.95 \$ 13.68	3,001 to 8,000 8,001 to 13,000 13,001 and up
WASTEWATER:	\$ 10.25	3,000	N	\$ 1.85	3,001 and up
SURCHARGE:					
Commission					
Regulatory					
Assessments	0.5% water and wastewater charges				

District employs winter averaging for wastewater usage? X
Yes No

Total charges per 10,000 gallons usage: Water: \$132.57 Wastewater: \$23.20 Surcharge: \$0.78

* Includes solid waste collection and mass notification system charges.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2026**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS (Unaudited):

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	<u>3,897</u>	<u>3,614</u>	x 1.0	<u>3,614</u>
1"	<u>70</u>	<u>62</u>	x 2.5	<u>155</u>
1½"	<u>14</u>	<u>14</u>	x 5.0	<u>70</u>
2"	<u>66</u>	<u>65</u>	x 8.0	<u>520</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>3</u>	<u>3</u>	x 25.0	<u>75</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"	<u>2</u>	<u>2</u>	x 80.0	<u>160</u>
10"			x 115.0	
Total Water Connections	<u>4,055</u>	<u>3,763</u>		<u>4,709</u>
Total Wastewater Connections	<u>3,734</u>	<u>3,734</u>	x 1.0	<u>3,734</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	395,049,000	
Gallons billed to customers:	260,627,000	Water Accountability Ratio: 66.0% (Gallons billed and sold/Gallons pumped)
Gallons purchased:	395,355,000	From: North Channel Water Authority

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2026**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2026**

PERSONNEL EXPENDITURES (Including Benefits)	
Salaries	\$ 1,381,150
Payroll Taxes	110,764
Pension and Individual Retirement Account	190,179
Insurance	<u>482,182</u>
TOTAL PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 2,164,275</u>
PROFESSIONAL FEES:	
Auditing	\$ 30,500
Engineering	364,106
Other Professional Fees	7,000
Legal	<u>193,220</u>
TOTAL PROFESSIONAL FEES	<u>\$ 594,826</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 1,411,058
Purchased Wastewater Service	<u>419,975</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,831,033</u>
CONTRACTED SERVICES:	
Answering Service	\$ 6,622
Janitorial	8,078
Phone System	7,351
Security	162,748
Security Services	24,758
Solid Waste Disposal	<u>956,533</u>
TOTAL CONTRACTED SERVICES	<u>\$ 1,166,090</u>
UTILITIES:	
Electric	\$ 122,899
Water	1,694
Gas	936
Street lights	68,246
Telephone	<u>25,143</u>
TOTAL UTILITIES	<u>\$ 218,918</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2026**

REPAIRS AND MAINTENANCE	\$ 292,899
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ADMINISTRATIVE EXPENDITURES:

Analysis	\$ 10,375
Credit Card Fees	79,389
Data Processing	133,338
Dues and Seminars	29,563
Director Fees of Office	31,010
Election	63,132
Insurance	100,823
Legal Notices	8,830
Mass Notification	4,497
Memberships and Subscriptions	6,096
Office Supplies and Postage	96,461
Public Relations	10,515
Travel and Meetings	<u>3,144</u>

TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>577,173</u>
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CAPITAL OUTLAY	\$ <u>1,304,406</u>
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OTHER EXPENDITURES:

Gas and Other Fuels	\$ 20,743
Connection and Inspection Fees	72,833
Labor	18,164
Permit Fees	36,676
Uniforms	3,085
Other	<u>3,160</u>

TOTAL OTHER EXPENDITURES	\$ <u>154,661</u>
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OTHER:

Bond Issuance Costs	\$ <u>25,000</u>
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TOTAL EXPENDITURES	\$ <u>8,329,281</u>
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Number of persons employed by the District: 13 Full-Time - 0 - Part-Time

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
SCHEDULE OF INVESTMENTS
JUNE 30, 2026**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0005	Varies	Daily	\$ 15,028,839	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0004	Varies	Daily	\$ 1,893,233	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 4,108,045	\$ - 0 -
TOTAL - ALL FUNDS				\$ 21,030,117	\$ - 0 -

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2026**

	<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -		
JULY 1, 2025	\$ 201,695	
Adjustments to Beginning		
Balance	<u>(4,527)</u>	\$ 197,168
Original 2025 Tax Levy	\$ 1,246,415	
Adjustment to 2025 Tax Levy	<u>235,001</u>	<u>1,481,416</u>
TOTAL TO BE		
ACCOUNTED FOR		\$ 1,678,584
TAX COLLECTIONS:		
Prior Years	\$ 81,310	
Current Year	<u>1,372,458</u>	<u>1,453,768</u>
TAXES RECEIVABLE -		
JUNE 30, 2026		<u>\$ 224,816</u>
TAXES RECEIVABLE BY		
YEAR:		
2025	\$ 108,958	
2024	27,541	
2023	17,342	
2022	12,061	
2021	8,265	
2020	7,434	
2019	5,600	
2018	5,353	
2017	4,582	
2016	3,796	
2015	3,664	
2014	3,169	
2013	2,309	
2012 and prior	<u>14,742</u>	
TOTAL		<u>\$ 224,816</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2026**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
PROPERTY VALUATIONS:				
Land	\$ 355,000,483	\$ 328,384,403	\$ 239,732,589	\$ 224,561,192
Improvements	334,625,225	337,494,740	407,851,837	326,791,666
Personal Property	64,615,309	84,749,446	73,201,152	63,846,786
Exemptions	<u>(112,379,695)</u>	<u>(127,197,577)</u>	<u>(120,275,413)</u>	<u>(94,984,306)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 641,861,322</u>	<u>\$ 623,431,012</u>	<u>\$ 600,510,165</u>	<u>\$ 520,215,338</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	<u>\$ 0.2308</u>	<u>\$ 0.2358</u>	<u>\$ 0.2383</u>	<u>\$ 0.2667</u>
ADJUSTED TAX LEVY*	<u>\$ 1,481,416</u>	<u>\$ 1,470,050</u>	<u>\$ 1,431,016</u>	<u>\$ 1,387,414</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>92.65 %</u>	<u>98.13 %</u>	<u>98.79 %</u>	<u>99.13 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – No maintenance tax has been approved by voters.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2026**

S E R I E S - 2 0 1 4			
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2027	\$ 200,000	\$ 38,023	\$ 238,023
2028	205,000	34,428	239,428
2029	210,000	30,557	240,557
2030	210,000	26,462	236,462
2031	215,000	22,169	237,169
2032	220,000	17,644	237,644
2033	225,000	12,882	237,882
2034	230,000	7,887	237,887
2035	235,000	2,667	237,667
2036			
2037			
	<u>\$ 1,950,000</u>	<u>\$ 192,719</u>	<u>\$ 2,142,719</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2026**

S E R I E S - 2 0 2 0 R E F U N D I N G			
Due During Fiscal Years Ending June 30	Principal Due September 15	Interest Due September 15/ March 15	Total
2027	\$ 635,000	\$ 15,590	\$ 650,590
2028	640,000	7,749	647,749
2029	310,000	4,907	314,907
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	<u>\$ 1,585,000</u>	<u>\$ 28,246</u>	<u>\$ 1,613,246</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2026**

S E R I E S - 2 0 2 1			
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2027	\$ 465,000	\$ 96,421	\$ 561,421
2028	475,000	88,102	563,102
2029	485,000	79,606	564,606
2030	495,000	70,933	565,933
2031	505,000	62,083	567,083
2032	515,000	53,056	568,056
2033	525,000	43,852	568,852
2034	535,000	34,471	569,471
2035	550,000	24,868	574,868
2036	560,000	15,045	575,045
2037	570,000	5,044	575,044
	<u>\$ 5,680,000</u>	<u>\$ 573,481</u>	<u>\$ 6,253,481</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2026**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2027	\$ 1,300,000	\$ 150,034	\$ 1,450,034
2028	1,320,000	130,279	1,450,279
2029	1,005,000	115,070	1,120,070
2030	705,000	97,395	802,395
2031	720,000	84,252	804,252
2032	735,000	70,700	805,700
2033	750,000	56,734	806,734
2034	765,000	42,358	807,358
2035	785,000	27,535	812,535
2036	560,000	15,045	575,045
2037	570,000	5,044	575,044
	<u>\$ 9,215,000</u>	<u>\$ 794,446</u>	<u>\$ 10,009,446</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
CHANGES IN LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 2026**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2025
Harris County Water Control and Improvement District No. 36 Unlimited Tax Bonds - Series 2014	\$ 3,885,000	\$ 2,145,000
Harris County Water Control and Improvement District No. 36 Unlimited Tax Refunding Bonds - Series 2020	5,230,000	2,215,000
Harris County Water Control and Improvement District No. 36 Unlimited Tax Bonds - Series 2021	<u>7,500,000</u>	<u>6,140,000</u>
TOTAL	<u>\$ 16,615,000</u>	<u>\$ 10,500,000</u>
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 119,300,000	\$ 126,220,000
Amount Issued	<u>(30,885,000)</u>	<u>(5,230,000)</u>
Remaining to be Issued	<u>\$ 88,415,000</u>	<u>\$ 120,990,000</u>
Debt Service Fund cash and investment balances as of June 30, 2026:		<u>\$ 2,003,183</u>
Average annual debt service payment for remaining term of all bond debt:		<u>\$ 909,950</u>

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

Current Year Transactions			Bonds Outstanding June 30, 2026	Paying Agent
Bonds Sold	Principal	Interest		
\$	\$ 195,000	\$ 41,333	\$ 1,950,000	Computershare Trust Company, N.A. Houston, TX
	630,000	23,370	1,585,000	Regions Bank Houston, TX
	460,000	104,607	5,680,000	Zions Bancorporation, N.A. Houston, Tx
<u>\$ - 0 -</u>	<u>\$ 1,285,000</u>	<u>\$ 169,310</u>	<u>\$ 9,215,000</u>	

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS**

	Amounts		
	2026	2025	2024
REVENUES			
Water Service	\$ 4,656,054	\$ 4,700,809	\$ 4,864,295
Wastewater Service	918,136	940,915	948,026
Solid Waste Disposal	1,032,823	920,475	865,670
Penalty and Interest	71,599	78,656	64,339
Connection and Inspection Fees	146,154	100,525	96,694
Investment Revenues	649,312	638,542	513,380
Grant Revenues		198,804	83,062
Sales Tax Revenues	745,871	736,919	738,561
Miscellaneous Revenues	439,254	175,782	150,143
TOTAL REVENUES	<u>\$ 8,659,203</u>	<u>\$ 8,491,427</u>	<u>\$ 8,324,170</u>
EXPENDITURES			
Personnel	\$ 2,164,275	\$ 2,122,146	\$ 2,225,509
Professional Services	594,826	503,451	557,150
Contracted Services	1,166,090	1,121,944	1,037,337
Purchased Water Service	1,411,058	1,371,361	1,160,698
Purchased Wastewater Service	419,975	404,933	452,005
Repairs and Maintenance	292,899	265,111	703,030
Utilities	218,918	210,298	230,245
Other	756,834	633,934	657,576
Capital Outlay	1,304,406	425,094	588,773
TOTAL EXPENDITURES	<u>\$ 8,329,281</u>	<u>\$ 7,058,272</u>	<u>\$ 7,612,323</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 329,922</u>	<u>\$ 1,433,155</u>	<u>\$ 711,847</u>
OTHER FINANCING SOURCES (USES)			
Transfers In/(Out)	<u>\$ (377,500)</u>	<u>\$ 249,603</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	<u>\$ (47,578)</u>	<u>\$ 1,682,758</u>	<u>\$ 711,847</u>
BEGINNING FUND BALANCE	<u>16,083,133</u>	<u>14,400,375</u>	<u>13,688,528</u>
ENDING FUND BALANCE	<u>\$ 16,035,555</u>	<u>\$ 16,083,133</u>	<u>\$ 14,400,375</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
\$ 4,371,594	\$ 3,981,686	53.8 %	55.4 %	58.4 %	56.5 %	57.8 %
916,613	913,663	10.6	11.1	11.4	11.8	13.3
839,044	721,451	11.9	10.8	10.4	10.8	10.5
66,642	62,204	0.8	0.9	0.8	0.9	0.9
150,650	98,150	1.7	1.2	1.1	1.9	1.4
97,702	20,855	7.5	7.5	6.2	1.3	0.3
239,760	7,948		2.3	1.0	3.1	0.1
806,501	880,355	8.6	8.7	8.9	10.4	12.8
257,081	199,501	5.1	2.1	1.8	3.3	2.9
<u>\$ 7,745,587</u>	<u>\$ 6,885,813</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 2,222,922	\$ 2,045,928	25.0 %	25.0 %	26.7 %	28.7 %	29.7 %
257,391	240,652	6.9	5.9	6.7	3.3	3.5
973,350	815,576	13.5	13.2	12.5	12.6	11.8
1,211,946	1,009,962	16.3	16.1	13.9	15.6	14.7
403,690	313,845	4.8	4.8	5.4	5.2	4.6
263,159	211,519	3.4	3.1	8.4	3.4	3.1
166,391	169,198	2.5	2.5	2.8	2.1	2.5
581,759	541,297	8.7	7.5	7.9	7.5	7.9
825,987	148,977	15.1	5.0	7.1	10.7	2.2
<u>\$ 6,906,595</u>	<u>\$ 5,496,954</u>	<u>96.2 %</u>	<u>83.1 %</u>	<u>91.4 %</u>	<u>89.1 %</u>	<u>80.0 %</u>
<u>\$ 838,992</u>	<u>\$ 1,388,859</u>	<u>3.8 %</u>	<u>16.9 %</u>	<u>8.6 %</u>	<u>10.9 %</u>	<u>20.0 %</u>
<u>\$ 421,073</u>	<u>\$ - 0 -</u>					
\$ 1,260,065	\$ 1,388,859					
<u>12,428,463</u>	<u>11,039,604</u>					
<u>\$ 13,688,528</u>	<u>\$ 12,428,463</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS**

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	\$ 1,453,768	\$ 1,456,832	\$ 1,384,153
Penalty and Interest	64,427	62,741	56,351
Investment Revenues	49,258	45,421	51,946
Miscellaneous Revenues	2,461		
TOTAL REVENUES	<u>\$ 1,569,914</u>	<u>\$ 1,564,994</u>	<u>\$ 1,492,450</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 106,393	\$ 95,019	\$ 104,072
Debt Service Principal	1,285,000	1,265,000	1,240,000
Debt Service Interest and Fees	170,060	188,836	207,021
TOTAL EXPENDITURES	<u>\$ 1,561,453</u>	<u>\$ 1,548,855</u>	<u>\$ 1,551,093</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 8,461</u>	<u>\$ 16,139</u>	<u>\$ (58,643)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In/(Out)	\$ 377,500	\$ 62,236	\$ - 0 -
NET CHANGE IN FUND BALANCE	<u>\$ 385,961</u>	<u>\$ 78,375</u>	<u>\$ (58,643)</u>
BEGINNING FUND BALANCE	<u>1,615,196</u>	<u>1,536,821</u>	<u>1,595,464</u>
ENDING FUND BALANCE	<u>\$ 2,001,157</u>	<u>\$ 1,615,196</u>	<u>\$ 1,536,821</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>3,763</u>	<u>3,773</u>	<u>3,763</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>3,734</u>	<u>3,740</u>	<u>3,729</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
\$ 1,349,594	\$ 1,316,517	92.6 %	93.1 %	92.7 %	93.1 %	92.1 %
52,971	48,626	4.1	4.0	3.8	3.6	3.4
38,495	3,155	3.1	2.9	3.5	2.7	0.2
8,593	60,933	0.2			0.6	4.3
<u>\$ 1,449,653</u>	<u>\$ 1,429,231</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 96,652	\$ 90,760	6.8 %	6.1 %	7.0 %	6.7 %	6.4 %
1,265,000	1,175,000	81.9	80.8	83.1	87.3	82.2
224,912	139,053	10.8	12.1	13.9	15.5	9.7
<u>\$ 1,586,564</u>	<u>\$ 1,404,813</u>	<u>99.5 %</u>	<u>99.0 %</u>	<u>104.0 %</u>	<u>109.5 %</u>	<u>98.3 %</u>
\$ (136,911)	\$ 24,418	<u>0.5 %</u>	<u>1.0 %</u>	<u>(4.0) %</u>	<u>(9.5) %</u>	<u>1.7 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (136,911)	\$ 24,418					
<u>1,732,375</u>	<u>1,707,957</u>					
<u>\$ 1,595,464</u>	<u>\$ 1,732,375</u>					
<u>3,741</u>	<u>3,716</u>					
<u>3,707</u>	<u>3,682</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2026**

District Mailing Address - Harris County Water Control and Improvement District No. 36
903 Hollywood Street
Houston, TX 77015

District Telephone Number - (713) 453-5493

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>June 30, 2026</u>	Expense Reimbursements for the year ended <u>June 30, 2026</u>	<u>Title</u>
Gerry Parra	05/24 05/28 (Elected)	\$ 5,874	\$ -0-	President
Ronald Holder	05/26 05/30 (Elected)	\$ 7,072	\$ -0-	Vice President/ Investment Officer
Maria Koukoulakis	05/26 05/30 (Elected)	\$ 6,095	\$ -0-	Secretary
Eddie Cantu	05/24 05/28 (Elected)	\$ 5,653	\$ -0-	Assistant Secretary
Tammy Eason	05/24 05/28 (Elected)	\$ 6,316	\$ -0-	Director

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's Developer or with any of the District's consultants.

The most recent submission date of the District Registration Form was on October 16, 2026.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 14, 2003. Fees of office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2026**

Employees:	<u>Date Hired</u>	<u>Fees/Compensation for the fiscal year ended June 30, 2026</u>	<u>Title</u>
Regina Duncan	07/26/99	\$ 136,201	General Manager
Consultants:			
Johnson Petrov LLP	1998	\$ 243,351	General Counsel/ Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	06/23/99	\$ 30,500	Auditor
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	01/25/96	\$ 22,569	Delinquent Tax Attorney
SAMCO Capital Markets	01/10/01	\$ 3,500	Financial Advisor
A & S Engineering, Inc.	08/25/20	\$ 750,711	Engineer
BLICO, Inc.	1998	\$ 63,783	Tax Collector

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36**

OTHER SUPPLEMENTARY INFORMATION

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 36

PRINCIPAL TAXPAYERS

JUNE 30, 2026

(UNAUDITED)

Taxpayer	Type of Property	Taxable Value by Tax Year	
		2025	2024
Wal Mart Real Estate	Business	\$ 17,203,773	\$ 12,350,000
Fields 40 Acres LLC	Business	12,052,548	12,004,911
Mullins Don R	Residence	7,702,745	7,124,318
SSC Evergreen LLC	Business	7,331,994	6,700,000
Wal Mart Store US01137G	Business	6,543,565	6,493,586
Centerpoint Energy Hou El	Business	6,434,300	5,719,740
Elevated 13925 LLC	Business	6,334,066	5,625,000
Amber Ston LP	Business	5,264,068	(a)
Hayden Center LLC	Business	5,223,625	(a)
JD Fields & Company	Business	(a)	31,009,909
EAN Holdings	Business	6,781,498	5,916,495
MCH-GC Realty LLC	Business	(a)	5,049,197
	Total	<u>\$ 80,872,182</u>	<u>\$ 97,993,156</u>
Percent of Assessed Valuation		<u>12.60</u> %	<u>15.72</u>

(a) not a principal taxpayer in respective year.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
ASSESSED VALUE BY CLASSIFICATION
JUNE 30, 2026
(UNAUDITED)**

Classification of Assessed Valuation (a)

Type of Property	2025		2024	
	Taxable Value	%	Taxable Value	%
Single Family Real Residential	\$ 234,083,333	36.48	\$ 220,662,491	35.39
Mobile Homes Real Residential	74,533,007	11.61	63,725,755	10.22
Multi-Family Real Residential	41,260,623	6.43	42,860,012	6.87
Two-Family Real Residential	4,452,432	0.69	4,116,594	0.66
Three-Family Residential	218,465	0.03	223,433	0.04
Vacant Lots/Tracts Real	3,070,977	0.48	2,772,735	0.44
Vacant Commercial Real	8,984,575	1.40	7,140,126	1.14
Vacant Real	12,445,163	1.94	11,515,625	1.85
Commercial Real	183,141,182	28.53	170,966,345	27.42
Gas Companies	1,744,349	0.27	1,600,320	0.26
Electric Companies	6,434,300	1.00	5,719,740	0.92
Telephone Companies	964,496	0.15	779,647	0.12
Pipelines	425,590	0.07	501,030	0.08
Major Cable Television Systems	2,473,190	0.39	2,334,710	0.37
Commercial Tangible	47,790,658	7.45	37,451,643	6.01
Industrial Tangible	4,116,294	0.64	35,488,917	5.69
Mobile Homes Tangible	14,907,109	2.32	14,566,263	2.34
Dealer Inventory	815,579	0.13	1,142,919	0.18
Total Appraised Value	<u>\$ 641,861,322</u>	<u>100.0</u>	<u>\$ 623,568,305</u>	<u>100.0</u>

(a) Reflects classification of assessed valuation as supplied by the Harris Central Appraisal District ("HCAD") prior to adjustments and exemptions. Such value may differ from the original certified assessed valuation and any supplements or adjustments thereto, as supplied by HCAD.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 36
ESTIMATED OVERLAPPING DEBT
JUNE 30, 2026
(UNAUDITED)**

<u>Taxing Body</u>	<u>Gross Debt Amount</u>	<u>As of</u>	<u>Overlapping Debt %</u>	<u>Amount of Overlapping Debt</u>
Channelview ISD	\$ 236,710,000	06/30/26	0.05	\$ 118,355
Galena Park ISD	456,166,171	06/30/26	5.51	25,134,756
Harris County	2,473,177,553	06/30/26	0.07	1,731,224
Harris County Department of Education	28,960,000	06/30/26	0.07	20,272
Harris County Flood Control District	937,165,000	06/30/26	0.07	656,016
Harris County Hospital District	1,644,825,000	06/30/26	0.07	1,151,377
Port of Houston Authority	386,074,397	06/30/26	0.07	270,252
San Jacinto Community College District	476,530,000	06/30/26	0.74	3,526,322
Total Overlapping Debt:				\$ 32,608,574
Harris County WCID No. 36		06/30/26		\$ 9,215,000
Total District and Overlapping Debt:				<u>\$ 41,823,574</u>
Total Direct and Overlapping Debt % of A.V.:				6.48%
Total Direct and Overlapping Debt per Capita:				\$ 3,298

<u>Overlapping Entity</u>	<u>2025 Tax Rate Per \$100 A.V.</u>
Channelview ISD	\$ 0.961700
Galena Park ISD	1.249900
Harris County	0.380960
Harris County Department of Education	0.004798
Harris County Flood Control District	0.049660
Harris County Hospital District	0.187610
Port of Houston Authority	0.005900
San Jacinto Community College District	0.154615
The District	0.230800
Total	<u>\$ 3.225943</u>

See accompanying independent auditor's report.