

KLEINWOOD MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2026

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kleinwood Municipal Utility District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Kleinwood Municipal Utility District (the "District") as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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 March 31, 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 and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 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.

Board of Directors
Kleinwood Municipal Utility District

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 an 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.

McCall Gibson Swedlund Barfoot Ellis PLLC

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

July 23, 2026

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2026**

Management's discussion and analysis of the financial performance of Kleinwood Municipal Utility District (the "District") provides an overview of the District's financial activities for the year ended March 31, 2026. Please read it in conjunction with the District's 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 the 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.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 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 explain the differences between the two presentations and assist 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. A budgetary comparison schedule is included as RSI for the General Fund.

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 \$13,686,430 as of March 31, 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.

The first table on the following page presents a comparative analysis of government-wide changes in net position.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2026**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2026	2025	Change Positive (Negative)
Current and Other Assets	\$ 16,333,470	\$ 16,178,044	\$ 155,426
Capital Assets (Net of Accumulated Depreciation)	12,046,370	11,853,463	192,907
Total Assets	\$ 28,379,840	\$ 28,031,507	\$ 348,333
Deferred Outflows of Resources	\$ 40,835	\$ 49,597	\$ (8,762)
Bonds Payable	\$ 13,463,418	\$ 14,452,890	\$ 989,472
Other Liabilities	1,222,964	1,168,811	(54,153)
Total Liabilities	\$ 14,686,382	\$ 15,621,701	\$ 935,319
Deferred Inflows of Resources	\$ 47,863	\$ 62,171	\$ 14,308
Net Position:			
Net Investment in Capital Assets	\$ 3,758,950	\$ 2,521,649	\$ 1,237,301
Restricted	2,091,493	2,106,494	(15,001)
Unrestricted	7,835,987	7,769,089	66,898
Total Net Position	\$ 13,686,430	\$ 12,397,232	\$ 1,289,198

The following table provides a summary of the District's operations for the years ended March 31, 2026, and March 31, 2025.

	Summary of Changes in the Statement of Activities		
	2026	2025	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,894,934	\$ 1,854,535	\$ 40,399
Charges for Services	1,637,093	1,740,997	(103,904)
Other Revenues	978,932	1,131,628	(152,696)
Total Revenues	\$ 4,510,959	\$ 4,727,160	\$ (216,201)
Expenses for Services	3,221,761	3,269,358	47,597
Change in Net Position	\$ 1,289,198	\$ 1,457,802	\$ (168,604)
Net Position, Beginning of Year	12,397,232	10,939,430	1,457,802
Net Position, End of Year	\$ 13,686,430	\$ 12,397,232	\$ 1,289,198

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2026**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2026, was \$14,803,257, an increase of \$322,156 from the prior fiscal year.

The General Fund fund balance increased by \$219,511, primarily due to property tax revenues, sales tax revenues and service revenues exceeding operating costs.

The Debt Service Fund fund balance decreased by \$3,388, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance increased by \$106,033. The District used bond proceeds received in a prior year to fund current year capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a General Fund budget for the current fiscal year. Actual revenues were \$385,313 less than budgeted revenues and actual expenditures were \$64,871 less than budgeted expenditures which resulted in a total negative variance of \$320,442.

CAPITAL ASSETS

Capital assets as of March 31, 2026, total \$12,046,370 (net of accumulated depreciation) and also include land, buildings, equipment, water facilities, and wastewater facilities. Current year capital asset activity included rehabilitation and improvements to District infrastructure.

Capital Assets At Year-End			
	2026	2025	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,526,486	\$ 1,526,486	\$
Construction in Progress	1,122,050	531,542	590,508
Capital Assets Subject to Depreciation:			
Building and Equipment	510,932	510,932	
Water System	7,938,674	7,909,379	29,295
Wastewater System	7,549,368	7,549,368	
Less Accumulated Depreciation	(6,601,140)	(6,174,244)	(426,896)
Total Net Capital Assets	<u>\$ 12,046,370</u>	<u>\$ 11,853,463</u>	<u>\$ 192,907</u>

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2026**

LONG-TERM DEBT ACTIVITY

As of March 31, 2026, the District had total bonds payable of \$13,339,992. The changes in bonds payable during the current fiscal year are summarized in the following table:

Bond Debt Payable, April 1, 2025	\$ 14,289,992
Less: Bond Principal Paid	<u>(950,000)</u>
Bond Debt Payable, March 31, 2026	<u>\$ 13,339,992</u>

The District carries an underlying rating of "A2". The Series 2024 Bonds do not carry an insured rating. The District's remaining bonds carry insured ratings of "A2" and/or "AA" by virtue of bond insurance issued by either Assured Guaranty or Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company.

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 Kleinwood Municipal Utility District, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, TX 77046.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2026

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 299,114	\$ 423,205
Investments	6,559,238	1,666,355
Receivables:		
Property Taxes	43,835	98,275
Penalty and Interest on Delinquent Taxes		
Service Accounts	125,083	
Sales Tax Receipts	75,526	
Due from Other Funds	26,659	
Water Authority Capital Contributions Receivable		
Chloramination Credit Receivable		
Prepaid Costs	75,783	
Reclaimed Water System Receivable		
Operating Advance	17,473	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 7,222,711</u>	<u>\$ 2,187,835</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,222,711</u>	<u>\$ 2,187,835</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 57,082	\$ 779,401	\$	\$ 779,401
5,895,553	14,121,146		14,121,146
	142,110		142,110
		28,024	28,024
	125,083		125,083
	75,526		75,526
	26,659	(26,659)	
		533,334	533,334
		212,343	212,343
	75,783		75,783
		223,247	223,247
	17,473		17,473
		1,526,486	1,526,486
		1,122,050	1,122,050
		9,397,834	9,397,834
<u>\$ 5,952,635</u>	<u>\$ 15,363,181</u>	<u>\$ 13,016,659</u>	<u>\$ 28,379,840</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 40,835</u>	<u>\$ 40,835</u>
<u>\$ 5,952,635</u>	<u>\$ 15,363,181</u>	<u>\$ 13,057,494</u>	<u>\$ 28,420,675</u>

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

KLEINWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2026

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 221,692	\$ 29,807
Accrued Interest Payable		
Due to Other Funds		26,659
Security Deposits	133,956	
Accrued Interest on Compound Interest Bonds		
Long-term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 355,648</u>	<u>\$ 56,466</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 43,835	\$ 98,275
Deferred Revenues on Refunding Bonds		
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 43,835</u>	<u>\$ 98,275</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 75,783	\$
Operating Advance	17,473	
Restricted for Authorized Construction		
Restricted for Debt Service		2,033,094
Assigned to 2027 Budget Deficit	310,707	
Unassigned	6,419,265	
TOTAL FUND BALANCES	<u>\$ 6,823,228</u>	<u>\$ 2,033,094</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,222,711</u>	<u>\$ 2,187,835</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
\$ 5,700	\$ 257,199	\$	\$ 257,199
		67,900	67,900
	26,659	(26,659)	
	133,956		133,956
		763,909	763,909
		980,000	980,000
		12,483,418	12,483,418
<u>\$ 5,700</u>	<u>\$ 417,814</u>	<u>\$ 14,268,568</u>	<u>\$ 14,686,382</u>
\$	\$ 142,110	\$ (142,110)	\$
		47,863	47,863
<u>\$ -0-</u>	<u>\$ 142,110</u>	<u>\$ (94,247)</u>	<u>\$ 47,863</u>
\$	\$ 75,783	\$ (75,783)	\$
	17,473	(17,473)	
5,946,935	5,946,935	(5,946,935)	
	2,033,094	(2,033,094)	
	310,707	(310,707)	
	6,419,265	(6,419,265)	
<u>\$ 5,946,935</u>	<u>\$ 14,803,257</u>	<u>\$ (14,803,257)</u>	<u>\$ - 0 -</u>
<u>\$ 5,952,635</u>	<u>\$ 15,363,181</u>		
		\$ 3,758,950	\$ 3,758,950
		2,091,493	2,091,493
		7,835,987	7,835,987
		<u>\$ 13,686,430</u>	<u>\$ 13,686,430</u>

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

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2026**

Total Fund Balances - Governmental Funds	\$ 14,803,257
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are recorded in the Statement of Net Position.	968,924
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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.	12,046,370
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Certain costs associated with refunding bond sales are recorded as deferred outflows of resources or deferred inflows of resources in the governmental activities and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.	(7,028)
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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.	170,134
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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	\$ (831,809)	
Bonds Payable	<u>(13,463,418)</u>	<u>(14,295,227)</u>

Total Net Position - Governmental Activities	<u>\$ 13,686,430</u>
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The accompanying notes to the financial
statements are an integral part of this report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2026

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 552,032	\$ 1,367,569
Water Service	567,509	
Wastewater Service	249,318	
Water Authority Fees	721,470	
Penalty and Interest	15,958	23,898
Connection Fees and Other Service Revenues	58,972	
Water Authority Credits	110,246	
Sales Tax Revenues	345,735	
Reclaimed Water System Payments	89,597	
Investment and Miscellaneous Revenues	325,202	66,383
TOTAL REVENUES	<u>\$ 3,036,039</u>	<u>\$ 1,457,850</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 258,885	\$ 20,592
Contracted Services	312,231	56,989
Purchased Surface Water	452,428	
Purchased Wastewater Service	280,685	
Utilities	94,757	
Water Authority Pumpage Fees	271,354	
Repairs and Maintenance	409,083	
Depreciation		
Other	197,982	10,007
Capital Outlay	539,123	
Debt Service:		
Bond Principal		950,000
Bond Interest		423,650
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,816,528</u>	<u>\$ 1,461,238</u>
NET CHANGE IN FUND BALANCES	\$ 219,511	\$ (3,388)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
APRIL 1, 2025	<u>6,603,717</u>	<u>2,036,482</u>
FUND BALANCES/NET POSITION -		
MARCH 31, 2026	<u><u>\$ 6,823,228</u></u>	<u><u>\$ 2,033,094</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,919,601	\$ (24,667)	\$ 1,894,934
	567,509		567,509
	249,318		249,318
	721,470		721,470
	39,856	(32)	39,824
	58,972		58,972
	110,246	(68,593)	41,653
	345,735		345,735
	89,597	(76,351)	13,246
186,713	578,298		578,298
<u>\$ 186,713</u>	<u>\$ 4,680,602</u>	<u>\$ (169,643)</u>	<u>\$ 4,510,959</u>
\$	\$ 279,477	\$	\$ 279,477
	369,220		369,220
	452,428		452,428
	280,685		280,685
	94,757		94,757
	271,354		271,354
	409,083		409,083
		426,896	426,896
	207,989		207,989
80,680	619,803	(619,803)	
	950,000	(950,000)	
	423,650	6,222	429,872
<u>\$ 80,680</u>	<u>\$ 4,358,446</u>	<u>\$ (1,136,685)</u>	<u>\$ 3,221,761</u>
\$ 106,033	\$ 322,156	\$ (322,156)	\$
		1,289,198	1,289,198
<u>5,840,902</u>	<u>14,481,101</u>	<u>(2,083,869)</u>	<u>12,397,232</u>
<u>\$ 5,946,935</u>	<u>\$ 14,803,257</u>	<u>\$ (1,116,827)</u>	<u>\$ 13,686,430</u>

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

KLEINWOOD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2026

Net Change in Fund Balances - Governmental Funds	\$	322,156
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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.		(24,667)
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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.		(32)
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Governmental funds report the repayment of capital contributions and reclaimed water system credits as revenues in the period received. However, in the Statement of Net Position, repayments reduce long-term receivables.		(144,944)
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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.		(426,896)
--	--	-----------

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.		619,803
---	--	---------

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.		950,000
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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.		(6,222)
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Change in Net Position - Governmental Activities	\$	<u>1,289,198</u>
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The accompanying notes to the financial
statements are an integral part of this report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 1. CREATION OF DISTRICT

Kleinwood Municipal Utility District was created by order of the Texas Water Rights Commission, predecessor to the TCEQ, dated May 3, 1972. The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the City, the TCEQ and the District's voters of the District's plans in such regard. The District may also provide for waste collection and disposal service, operate and maintain recreational facilities and contract for its own peace officers with power to make arrests when necessary to prevent or abate the commission of any offense against the rules of the District or District property. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

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 an agreement for wastewater treatment with other utility districts as described in Note 10.

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"). 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.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined in the following paragraphs.

- 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 regulation 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, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements and Governmental Funds

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

The District has three governmental funds and considers each to be a major fund. 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 revenue reported in 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 period 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 use. 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.

As of March 31, 2026, the Debt Service Fund owed the General Fund \$26,659 for maintenance tax collections.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 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 5 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 not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for payroll tax purposes only.

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 and liabilities associated with the activities are reported. Fund equity is classified as net position.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 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. The District assigned \$310,707 of its General Fund fund balance for a projected budget deficit for the year ending March 31, 2027.

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.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 3. LONG-TERM DEBT

	Refunding Series 2014		Refunding Series 2015	
	Current Interest	Compound Interest	Current Interest	Compound Interest
Amount Outstanding – March 31, 2026	\$ 1,510,000	\$ 214,996	\$ 1,350,000	\$ 509,996
Interest Rates	3.50%	4.10%	3.00%	3.75%
Maturity Dates – Serially Beginning/Ending	August 1, 2026/2028	August 1, 2029	August 1, 2026/2029	August 1, 2030
Interest Payment Dates	August 1/ February 1	At Maturity	August 1/ February 1	At Maturity
Callable Dates	August 1, 2022*	N/A**	August 1, 2023*	N/A***

	Series 2020 Refunding	Series 2021	Series 2024
Amount Outstanding – March 31, 2026	\$ 755,000	\$ 2,810,000	\$ 6,190,000
Interest Rates	2.00% - 3.00%	2.00%	3.25% - 7.00%
Maturity Dates – Serially Beginning/Ending	August 1, 2026/2029	August 1, 2031/2033	August 1, 2031/2038
Interest Payment Dates	August 1/ February 1	August 1/ February 1	August 1/ February 1
Callable Dates	August 1, 2026*	August 1, 2028*	February 1, 2030*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption.

** The par value of the Series 2014 Refunding compound interest bonds is \$214,996 and the maturity value is \$555,000. At March 31, 2026, the accreted value of these bonds is \$484,913, which includes accrued interest of \$269,917. Interest on these bonds will be paid at maturity.

***The par value of the Series 2015 Refunding compound interest bonds is \$509,996 and the maturity value is \$1,180,000. At March 31, 2026, the accreted value of these bonds is \$1,003,988, which includes accrued interest of \$493,992. Interest on these bonds will be paid at maturity.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 3. LONG-TERM DEBT (Continued)

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

	April 1, 2025	Additions	Retirements	March 31, 2026
Bonds Payable	\$ 14,289,992	\$	\$ 950,000	\$ 13,339,992
Bond Discounts	(189,320)		(13,757)	(175,563)
Bond Premiums	352,218		53,229	298,989
Bonds Payable, Net	<u>\$ 14,452,890</u>	<u>\$ -0-</u>	<u>\$ 989,472</u>	<u>\$ 13,463,418</u>
			Amount Due Within One Year	\$ 980,000
			Amount Due After One Year	12,483,418
			Bonds Payable, Net	<u>\$ 13,463,418</u>

As of March 31, 2026, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2027	\$ 980,000	\$ 390,625	\$ 1,370,625
2028	1,030,000	357,138	1,387,138
2029	1,060,000	324,188	1,384,188
2030	759,996	640,754	1,400,750
2031	509,996	963,554	1,473,550
2032-2036	5,350,000	1,096,687	6,446,687
2037-2039	3,650,000	193,488	3,843,488
	<u>\$ 13,339,992</u>	<u>\$ 3,966,434</u>	<u>\$ 17,306,426</u>

The District has \$10,355,000 of authorized but unissued bonds for water, sewer and drainage facilities and \$8,486,584 of authorized but unissued bonds 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, and are further payable from the net revenues from the operation of the District's waterworks and sanitary sewer systems.

The District levied an ad valorem debt service tax rate of \$0.266 per \$100 of assessed valuation, which resulted in a tax levy of \$1,373,454 on the adjusted taxable valuation of \$516,334,894 for the 2025 tax year. 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.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

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 be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on each five-year anniversary of the bonds.

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 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 \$779,401 and the bank balance was \$1,240,733. Of the bank balance, \$517,250 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 for the year ended March 31, 2026, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 299,114
DEBT SERVICE FUND	423,205
CAPITAL PROJECTS FUND	<u>57,082</u>
TOTAL DEPOSITS	<u>\$ 779,401</u>

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

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.

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 State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measure all of its portfolio assets at amortized cost. 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.

The District also invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of March 31, 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	\$ 3,294,497	\$ 3,294,497
TexSTAR	3,264,741	3,264,741
<u>DEBT SERVICE FUND</u>		
TexPool	1,024,037	1,024,037
TexSTAR	642,318	642,318
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>5,895,554</u>	<u>5,895,554</u>
TOTAL INVESTMENTS	<u>\$ 14,121,147</u>	<u>\$ 14,121,147</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2026, the District's investments in TexPool and TexSTAR were rated AAAM by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and TexSTAR 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.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the 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:

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 6. CAPITAL ASSETS (Continued)

	April 1, 2025	Increases	Decreases	March 31, 2026
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,526,486	\$	\$	\$ 1,526,486
Construction in Progress	<u>531,542</u>	<u>619,803</u>	<u>29,295</u>	<u>1,122,050</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,058,028</u>	<u>\$ 619,803</u>	<u>\$ 29,295</u>	<u>\$ 2,648,536</u>
Capital Assets Subject to Depreciation				
Building and Equipment	\$ 510,932	\$	\$	\$ 510,932
Water System	7,909,379	29,295		7,938,674
Wastewater System	<u>7,549,368</u>	<u></u>	<u></u>	<u>7,549,368</u>
Total Capital Assets Subject to Depreciation	<u>\$ 15,969,679</u>	<u>\$ 29,295</u>	<u>\$ - 0 -</u>	<u>\$ 15,998,974</u>
Accumulated Depreciation				
Building and Equipment	\$ 326,106	\$ 15,122	\$	\$ 341,228
Water System	3,161,031	198,724		3,359,755
Wastewater System	<u>2,687,107</u>	<u>213,050</u>	<u></u>	<u>2,900,157</u>
Total Accumulated Depreciation	<u>\$ 6,174,244</u>	<u>\$ 426,896</u>	<u>\$ - 0 -</u>	<u>\$ 6,601,140</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,795,435</u>	<u>\$ (397,601)</u>	<u>\$ - 0 -</u>	<u>\$ 9,397,834</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 11,853,463</u></u>	<u><u>\$ 222,202</u></u>	<u><u>\$ 29,295</u></u>	<u><u>\$ 12,046,370</u></u>

NOTE 7. MAINTENANCE TAX

On December 4, 1974, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation. During the year ended March 31, 2026, the District levied an ad valorem maintenance tax rate of \$0.121 per \$100 of assessed valuation, which resulted in a tax levy of \$624,767 on the adjusted taxable valuation of \$516,334,894 for the 2025 tax year.

NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority's purpose is to provide for the conservation, preservation, protection, recharge, and reduction of groundwater withdrawals. The Authority currently charges \$2.60 per 1,000 gallons of water for pumpage fees and \$3.05 per 1,000 gallons of purchased surface water. During the current fiscal year, the District incurred costs totaling \$271,354 for pumpage fees and \$452,428 for purchased surface water.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

Capital Contribution Receivable

The District entered into a Capital Contribution Contract with the Authority in which the District paid \$1,213,095 to the Authority. During the current fiscal year, the District received credits of \$88,406 including a return of principal of \$59,782. Future repayments of capital contributions are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 62,877	\$ 25,529	\$ 88,406
2028	66,132	22,274	88,406
2029	69,555	18,851	88,406
2030	73,155	15,251	88,406
2031	76,942	11,464	88,406
2032-2034	184,673	10,900	195,573
	<u>\$ 533,334</u>	<u>\$ 104,269</u>	<u>\$ 637,603</u>

Chloramine Conversion Reimbursement

The Authority required the District to convert its water systems to chloramine disinfection for as long as it is connected to the Authority's system. The District has completed its chloramine conversion system which included reimbursable costs of \$300,627. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on its March 2011 Authority billing. Total credits earned in the current fiscal year were \$21,840. Of this amount, \$8,811 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 9,192	\$ 12,648	\$ 21,840
2028	9,660	12,180	21,840
2029	10,239	11,601	21,840
2030	10,854	10,986	21,840
2031	11,510	10,330	21,840
2032-2036	68,810	40,390	109,200
2037-2041	92,078	16,701	108,779
	<u>\$ 212,343</u>	<u>\$ 114,836</u>	<u>\$ 327,179</u>

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 9. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 1, 2010, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. 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 of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District. The City imposes a sale and use tax within the boundaries of the Subject Tract at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District an amount equal to one-half of all sales and use tax revenues generated within the boundaries of the Subject Tract. During the year ended March 31, 2026, the District recorded sales tax revenues of \$345,735 from the City of Houston.

NOTE 10. KLEINWOOD JOINT POWERS BOARD

The District is a participant in the Kleinwood Regional Wastewater Treatment Plant (“Plant”) which provides wastewater treatment for the District and the following participants: Cy-Champ Public Utility District (“Cy-Champ”), Harris County Water Control & Improvement District No.114, Klein Independent School District, Cypress Forest Public Utility District (“Cypress Forest”), Louetta North Public Utility District and Champions Municipal Utility District (“Champions”). The agreement creating the Kleinwood Joint Powers Board was effective April 9, 1992, and subsequently amended on June 1, 1993, September 8, 1997, July 25, 2005, September 9, 2013, and March 16, 2017. Unless terminated earlier by mutual agreement of all the participants, the agreement will continue in force and effect until April 9, 2047. The operating expenses of the Plant are allocated based on each participant’s number of connections. Capital costs are paid by each participant based on their ownership interest in the Plant. The District’s capacity ownership is 15%.

The following summary financial data of the Plant is presented for the year ended May 31, 2025.

Total Assets	\$ 2,159,783
Total Liabilities	<u>2,043,296</u>
Total Fund Balance	<u>\$ 116,487</u>
Total Revenues	\$ 1,224,557
Total Expenditures	(1,802,601)
Reclaimed Water Capital Recovery Fees	<u>578,044</u>
Net Change in Fund Balance	\$ -0-
Fund Balance – June 1, 2024	<u>116,487</u>
Fund Balance – May 31, 2025	<u>\$ 116,487</u>

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 10. KLEINWOOD JOINT POWERS BOARD (Continued)

The Plant and the participant districts entered into a Reclaimed Water Supply Agreement (the “Agreement”), on November 1, 2017, for the construction and funding of a Reclaimed Water System to treat wastewater effluent discharged from the Facilities for landscape irrigation and to comply with the groundwater reduction requirements of the Harris-Galveston Subsidence District and the North Harris County Regional Water Authority. The cost of the Reclaimed Water System was \$3,179,241 and it became operational in May 2023. The Reclaimed Water System costs were originally funded by the pro-rata contributions of the participants except for Klein Independent School District (the “Reclaim Cost Participants”). The reclaimed water will be sold to two participant districts for resale: Champions Municipal Utility District and Cypress Forest Public Utility District (the “Reclaim Receiving Participants”). The Reclaim Receiving Participants will reimburse the total cost of the Reclaimed Water System to the Reclaim Cost Participants in 66 monthly installments beginning May 2023.

The net present value of the District’s share of the cost of the reclaimed water system was \$430,054, which is calculated at 5% interest over the 66-month repayment period. The District began receiving monthly payments of \$7,466.40 (reflected as credits on its monthly Plant invoice) May 2023. Total payments in the current fiscal year were \$89,597. Of this amount, \$76,351 was a return of principal with the balance being applicable to interest. The following schedule summarizes the remaining payments to be received in future years:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 80,257	\$ 9,340	\$ 89,597
2028	84,363	5,234	89,597
2029	<u>58,627</u>	<u>1,104</u>	<u>59,731</u>
	<u>\$ 223,247</u>	<u>\$ 15,678</u>	<u>\$ 238,925</u>

NOTE 11. WATER SUPPLY AND WASTE DISPOSAL AGREEMENTS

On December 9, 1982, the District entered into a contract with Cypress Forest Public Utility District to provide water and sanitary sewer services to an 8-acre tract within the District’s boundaries. The term of the contract is 40 years and may be renewed on a year-to-year basis after that date. Any party may terminate the contract by giving a one-year written notice of termination. The District pays Cypress Forest an amount equal to 70% of the ad valorem taxes collected on the tract by March 1 of each year during the contract.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 11. WATER SUPPLY AND WASTE DISPOSAL AGREEMENTS (Continued)

On March 18, 1987, the District entered into a contract with Harris County Municipal Utility District No. 24 ("District No. 24") to provide water and sanitary sewer services to a 13-acre tract within the District's boundaries. The term of the contract is 40 years and may be renewed on a year-to-year basis after that date. Any party may terminate the contract by giving one-year written notice of termination. The District pays District No. 24 an amount equal to 70% of the ad valorem taxes collected on the tract by March 1 of each year during the contract.

On April 16, 1989, the District entered into an emergency water supply contract with Cypress-Klein Utility District. This contract was amended on November 14, 2016. The contract provides for emergency water to be provided at a cost per 1,000 gallons of water of \$0.50 plus the surface water fee of the North Harris County Regional Water Authority for a period not to exceed 30 days. The contract is in effect until December 31, 2029, and will automatically renew each January 1 unless otherwise terminated by either party.

On October 7, 1976, the District entered into an emergency water supply contract with Harris County Water Control and Improvement District No. 114. This contract was amended on December 12, 2016. The contract provides for emergency water received to be repaid in kind or repaid at the rate paid by the supplying district per 1,000 gallons to purchase surface water plus an additional \$0.25 per 1,000 gallons of water taken.

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

KLEINWOOD MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2026

KLEINWOOD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 589,809	\$ 552,032	\$ (37,777)
Water Service	530,000	567,509	37,509
Wastewater Service	250,000	249,318	(682)
Water Authority Fees	1,200,000	721,470	(478,530)
Penalty and Interest	20,000	15,958	(4,042)
Connection Fees and Other Service Revenues	18,000	58,972	40,972
Sales Tax Revenues	400,000	345,735	(54,265)
Investment and Miscellaneous Revenues	<u>213,700</u>	<u>325,202</u>	<u>111,502</u>
TOTAL REVENUES	<u>\$ 3,221,509</u>	<u>\$ 2,836,196</u>	<u>\$ (385,313)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 271,500	\$ 258,885	\$ 12,615
Contracted Services	333,400	312,231	21,169
Water Authority Costs, Net of Credits	1,139,756	613,536	526,220
Purchased Wastewater Service, Net	215,000	191,088	23,912
Utilities	103,100	94,757	8,343
Other	176,100	197,982	(21,882)
Repairs, Maintenance, Capital Outlay	<u>442,700</u>	<u>948,206</u>	<u>(505,506)</u>
TOTAL EXPENDITURES	<u>\$ 2,681,556</u>	<u>\$ 2,616,685</u>	<u>\$ 64,871</u>
NET CHANGE IN FUND BALANCE	\$ 539,953	\$ 219,511	\$ (320,442)
FUND BALANCE - APRIL 1, 2025	<u>6,603,717</u>	<u>6,603,717</u>	<u></u>
FUND BALANCE - MARCH 31, 2026	<u><u>\$ 7,143,670</u></u>	<u><u>\$ 6,823,228</u></u>	<u><u>\$ (320,442)</u></u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2026

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2026**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>596</u>	<u>595</u>	x 1.0	<u>595</u>
1"	<u>220</u>	<u>218</u>	x 2.5	<u>545</u>
1½"	<u>46</u>	<u>44</u>	x 5.0	<u>220</u>
2"	<u>27</u>	<u>25</u>	x 8.0	<u>200</u>
3"	<u>4</u>	<u>4</u>	x 15.0	<u>60</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"			x 80.0	
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u>898</u>	<u>891</u>		<u>1,885</u>
Total Wastewater Connections	<u>844</u>	<u>837</u>	x 1.0	<u>837</u>

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

Gallons pumped into system:	109,766,000	Water Accountability Ratio: 94.87 % (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	238,492,000	
Gallons purchased:	141,625,000	From: <u>North Harris County Regional Water Authority</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 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.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2026**

PROFESSIONAL FEES:	
Auditing	\$ 22,000
Engineering	118,908
Legal	<u>117,977</u>
TOTAL PROFESSIONAL FEES	<u>\$ 258,885</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Surface Water	\$ 452,428
Purchased Wastewater Service	<u>280,685</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 733,113</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 25,400
Operations and Billing	105,921
Sales Tax Consultant	6,930
Security	<u>173,980</u>
TOTAL CONTRACTED SERVICES	<u>\$ 312,231</u>
UTILITIES	<u>\$ 94,757</u>
REPAIRS AND MAINTENANCE	<u>\$ 409,083</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 22,729
Insurance	46,240
Office Supplies and Postage	25,178
Meetings, Management Fees, Bank Charges, Election	<u>16,138</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 110,285</u>
CAPITAL OUTLAY	<u>\$ 539,123</u>
OTHER EXPENDITURES:	
Chemicals	\$ 26,547
Laboratory Fees	18,091
Permit Fees	3,979
Connection, Inspection and Reconnection Fees	31,509
Water Authority Pumpage Fees	271,354
Regulatory Assessment	<u>7,571</u>
TOTAL OTHER EXPENDITURES	<u>\$ 359,051</u>
TOTAL EXPENDITURES	<u><u>\$ 2,816,528</u></u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MARCH 31, 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	XXXX0003	Varies	Daily	\$ 3,294,497	\$
TexSTAR	XXXX1110	Varies	Daily	3,264,741	
TOTAL GENERAL FUND				<u>\$ 6,559,238</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 1,024,037	\$
TexSTAR	XXXX0230	Varies	Daily	642,318	
TOTAL DEBT SERVICE FUND				<u>\$ 1,666,355</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0013	Varies	Daily	\$ 373,704	\$
TexPool	XXXX0014	Varies	Daily	5,521,850	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 5,895,554</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 14,121,147</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2026

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
APRIL 1, 2025	\$	51,504	\$	115,273
Adjustments to Beginning				
Balance		<u>(10,401)</u>		<u>(22,883)</u>
	\$	41,103	\$	92,390
Original 2025 Tax Levy	\$	596,579	\$	1,311,487
Adjustment to 2025 Tax Levy		<u>28,188</u>		<u>61,967</u>
		<u>624,767</u>		<u>1,373,454</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 665,870		\$ 1,465,844
TAX COLLECTIONS:				
Prior Years	\$	26,285	\$	57,904
Current Year		<u>595,750</u>		<u>1,309,665</u>
		<u>622,035</u>		<u>1,367,569</u>
TAXES RECEIVABLE -				
MARCH 31, 2026		<u>\$ 43,835</u>		<u>\$ 98,275</u>
TAXES RECEIVABLE BY				
YEAR:				
2025	\$	29,017	\$	63,789
2024		3,918		8,613
2023		2,305		5,442
2022		1,347		2,758
2021		1,233		2,378
2020		1,137		2,195
2019 and prior		<u>4,878</u>		<u>13,100</u>
TOTAL	\$	<u>43,835</u>	\$	<u>98,275</u>

Note: Maintenance tax collections include \$70,003 collected on behalf of and remitted to other entities in accordance with contractual provisions.

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2026**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
PROPERTY VALUATIONS:				
Land	\$ 145,709,991	\$ 144,392,018	\$ 135,106,848	\$ 132,570,620
Improvements	492,078,452	484,804,965	462,615,310	416,573,432
Personal Property	27,056,251	25,532,082	25,206,365	23,342,461
Exemptions	<u>(148,509,800)</u>	<u>(145,463,542)</u>	<u>(137,990,219)</u>	<u>(132,393,631)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 516,334,894</u>	<u>\$ 509,265,523</u>	<u>\$ 484,938,304</u>	<u>\$ 440,092,882</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.266	\$ 0.266	\$ 0.288	\$ 0.260
Maintenance	<u>0.121</u>	<u>0.121</u>	<u>0.122</u>	<u>0.127</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.387</u>	<u>\$ 0.387</u>	<u>\$ 0.410</u>	<u>\$ 0.387</u>
ADJUSTED TAX LEVY*	<u>\$ 1,998,221</u>	<u>\$ 1,970,851</u>	<u>\$ 1,988,241</u>	<u>\$ 1,703,153</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>95.36 %</u>	<u>99.36 %</u>	<u>99.61 %</u>	<u>99.76 %</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 – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on December 4, 1974.

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2026

REFUNDING SERIES - 2014				
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total	
2027	\$ 480,000	\$ 44,450	\$	524,450
2028	505,000	27,213		532,213
2029	525,000	9,188		534,188
2030	214,996	340,004		555,000
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
	<u>\$ 1,724,996</u>	<u>\$ 420,855</u>	<u>\$</u>	<u>2,145,851</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2026

REFUNDING SERIES - 2015			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2027	\$ 325,000	\$ 35,625	\$ 360,625
2028	335,000	25,725	360,725
2029	340,000	15,600	355,600
2030	350,000	5,250	355,250
2031	509,996	670,004	1,180,000
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
	<u>\$ 1,859,996</u>	<u>\$ 752,204</u>	<u>\$ 2,612,200</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2026

REFUNDING SERIES - 2020			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2027	\$ 175,000	\$ 17,000	\$ 192,000
2028	190,000	10,650	200,650
2029	195,000	5,850	200,850
2030	195,000	1,950	196,950
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
	<u>\$ 755,000</u>	<u>\$ 35,450</u>	<u>\$ 790,450</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2026

S E R I E S - 2 0 2 1			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2027	\$	\$ 56,200.00	\$ 56,200.00
2028		56,200	56,200
2029		56,200	56,200
2030		56,200	56,200
2031		56,200	56,200
2032	920,000	47,000	967,000
2033	935,000	28,450	963,450
2034	955,000	9,550	964,550
2035			
2036			
2037			
2038			
2039			
	<u>\$ 2,810,000</u>	<u>\$ 366,000</u>	<u>\$ 3,176,000</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2026

S E R I E S - 2 0 2 4			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2027	\$	\$ 237,350	\$ 237,350
2028		237,350	237,350
2029		237,350	237,350
2030		237,350	237,350
2031		237,350	237,350
2032	100,000	233,850	333,850
2033	110,000	226,500	336,500
2034	110,000	219,350	329,350
2035	1,090,000	188,800	1,278,800
2036	1,130,000	143,187	1,273,187
2037	1,170,000	105,812	1,275,812
2038	1,215,000	65,538	1,280,538
2039	1,265,000	22,138	1,287,138
	<u>\$ 6,190,000</u>	<u>\$ 2,391,925</u>	<u>\$ 8,581,925</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2026

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2027	\$ 980,000	\$ 390,625	\$ 1,370,625
2028	1,030,000	357,138	1,387,138
2029	1,060,000	324,188	1,384,188
2030	759,996	640,754	1,400,750
2031	509,996	963,554	1,473,550
2032	1,020,000	280,850	1,300,850
2033	1,045,000	254,950	1,299,950
2034	1,065,000	228,900	1,293,900
2035	1,090,000	188,800	1,278,800
2036	1,130,000	143,187	1,273,187
2037	1,170,000	105,812	1,275,812
2038	1,215,000	65,538	1,280,538
2039	1,265,000	22,138	1,287,138
	<u>\$ 13,339,992</u>	<u>\$ 3,966,434</u>	<u>\$ 17,306,426</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2026

Description	Original Bonds Issued	Bonds Outstanding April 1, 2025
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2014	\$ 2,544,996	\$ 2,184,996
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2015	3,689,996	2,179,996
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2020	3,080,000	925,000
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2021	2,810,000	2,810,000
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2024	<u>6,190,000</u>	<u>6,190,000</u>
TOTAL	<u>\$ 18,314,992</u>	<u>\$ 14,289,992</u>
	Tax and	
Bond Authority:	Revenue Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 39,310,000	\$ 11,455,000
Amount Issued	<u>(28,955,000)</u>	<u>(2,968,416)</u>
Remaining to be Issued	<u>\$ 10,355,000</u>	<u>\$ 8,486,584</u>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding March 31, 2026	Paying Agent
	Principal	Interest		
\$	\$ 460,000	\$ 60,900	\$ 1,724,996	Wells Fargo Bank, N.A. Minneapolis, MN
	320,000	45,300	1,859,996	Bank of New York Mellon Trust Co., N.A. Dallas, TX
	170,000	23,900	755,000	UMB Bank, N.A. Houston, TX
		56,200	2,810,000	UMB Bank, N.A. Houston, TX
		237,350	6,190,000	UMB Bank, N.A. Houston, TX
\$ - 0 -	\$ 950,000	\$ 423,650	\$ 13,339,992	

Debt Service Fund cash and investment balances as of March 31, 2026: \$ 2,089,560

Average annual debt service payment for remaining term of all bond debt: \$ 1,331,264

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

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	\$ 552,032	\$ 523,716	\$ 514,554
Water Service	567,509	515,700	572,151
Wastewater Service	249,318	246,336	247,187
Water Authority Fees	721,470	808,221	1,044,974
Penalty and Interest	15,958	18,746	23,524
Connection Fees and Other Service Revenues	58,972	123,169	119,250
Water Authority Credits	110,246	110,246	110,246
Sales Tax Revenues	345,735	356,564	357,304
Reclaimed Water System Payments	89,597	89,597	74,664
Investment and Miscellaneous Revenues	325,202	294,340	280,621
TOTAL REVENUES	<u>\$ 3,036,039</u>	<u>\$ 3,086,635</u>	<u>\$ 3,344,475</u>
EXPENDITURES			
Professional Fees	\$ 258,885	\$ 297,504	\$ 265,836
Contracted Services	312,231	304,089	292,747
Purchased Surface Water	452,428	535,435	512,453
Purchased Wastewater Service	280,685	237,404	230,351
Utilities	94,757	88,925	93,919
Water Authority Pumpage Fees	271,354	295,402	560,526
Repairs and Maintenance	409,083	343,272	262,927
Other	197,982	220,629	182,887
Capital Outlay	539,123	302,279	460,383
TOTAL EXPENDITURES	<u>\$ 2,816,528</u>	<u>\$ 2,624,939</u>	<u>\$ 2,862,029</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 219,511</u>	<u>\$ 461,696</u>	<u>\$ 482,446</u>
OTHER FINANCING SOURCES			
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 291,055</u>
NET CHANGE IN FUND BALANCE	\$ 219,511	\$ 461,696	\$ 773,501
BEGINNING FUND BALANCE	<u>6,603,717</u>	<u>6,142,021</u>	<u>5,368,520</u>
ENDING FUND BALANCE	<u>\$ 6,823,228</u>	<u>\$ 6,603,717</u>	<u>\$ 6,142,021</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2023	2022	2026	2025	2024	2023	2022		
\$ 487,181	\$ 501,777	18.2 %	16.9 %	15.2 %	15.2 %	18.9 %		
547,920	391,036	18.7	16.7	17.1	17.3	14.8		
246,719	225,628	8.2	8.0	7.4	7.8	8.5		
1,204,390	947,535	23.8	26.2	31.2	38.0	35.8		
18,316	12,169	0.5	0.6	0.7	0.6	0.5		
55,626	61,103	1.9	4.0	3.6	1.8	2.3		
110,246	110,246	3.6	3.6	3.3	3.5	4.2		
371,680	379,768	11.4	11.6	10.7	11.7	14.3		
		3.0	2.9	2.4				
128,746	18,887	10.7	9.5	8.4	4.1	0.7		
<u>\$ 3,170,824</u>	<u>\$ 2,648,149</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 224,717	\$ 232,483	8.5 %	9.6 %	7.9 %	7.1 %	8.8 %		
281,940	265,641	10.3	9.9	8.8	8.9	10.0		
718,219	922,605	14.9	17.3	15.3	22.7	34.8		
178,146	158,399	9.2	7.7	6.9	5.6	6.0		
77,541	76,084	3.2	3.0	2.9	2.5	3.0		
543,799	92,152	8.9	9.6	16.8	17.2	3.5		
251,997	189,818	13.5	11.1	7.9	7.9	7.2		
171,110	139,829	6.5	7.1	5.5	5.4	5.3		
73,831	8,165	17.8	9.8	13.8	2.3	0.3		
<u>\$ 2,521,300</u>	<u>\$ 2,085,176</u>	<u>92.8 %</u>	<u>85.1 %</u>	<u>85.8 %</u>	<u>79.6 %</u>	<u>78.9 %</u>		
<u>\$ 649,524</u>	<u>\$ 562,973</u>	<u>7.2 %</u>	<u>14.9 %</u>	<u>14.2 %</u>	<u>20.4 %</u>	<u>21.1 %</u>		
<u>\$ -0-</u>	<u>\$ 690,134</u>							
\$ 649,524	\$ 1,253,107							
<u>4,718,996</u>	<u>3,465,889</u>							
\$ 5,368,520	\$ 4,718,996							

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	\$ 1,367,569	\$ 1,297,310	\$ 1,354,221
Penalty and Interest	23,898	23,136	20,801
Investment and Miscellaneous Revenues	<u>66,383</u>	<u>74,789</u>	<u>56,811</u>
TOTAL REVENUES	<u>\$ 1,457,850</u>	<u>\$ 1,395,235</u>	<u>\$ 1,431,833</u>
EXPENDITURES			
Other Expenditures	\$ 84,513	\$ 66,250	\$ 64,007
Debt Service Principal	950,000	910,000	885,000
Debt Service Interest and Fees	<u>426,725</u>	<u>477,876</u>	<u>255,206</u>
TOTAL EXPENDITURES	<u>\$ 1,461,238</u>	<u>\$ 1,454,126</u>	<u>\$ 1,204,213</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (3,388)</u>	<u>\$ (58,891)</u>	<u>\$ 227,620</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the Issuance of Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 118,675</u>
NET CHANGE IN FUND BALANCE	\$ (3,388)	\$ (58,891)	\$ 346,295
BEGINNING FUND BALANCE	<u>2,036,482</u>	<u>2,095,373</u>	<u>1,749,078</u>
ENDING FUND BALANCE	<u>\$ 2,033,094</u>	<u>\$ 2,036,482</u>	<u>\$ 2,095,373</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>891</u>	<u>895</u>	<u>891</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>837</u>	<u>842</u>	<u>839</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
\$ 1,108,826	\$ 1,069,017	93.8 %	92.9 %	94.5 %	96.7 %	98.3 %
10,420	17,797	1.6	1.7	1.5	0.9	1.6
27,582	991	4.6	5.4	4.0	2.4	0.1
<u>\$ 1,146,828</u>	<u>\$ 1,087,805</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 53,311	\$ 56,573	5.8 %	4.7 %	4.5 %	4.6 %	5.2 %
820,000	795,000	65.2	65.2	61.8	71.5	73.1
285,738	283,175	29.3	34.3	17.8	24.9	26.0
<u>\$ 1,159,049</u>	<u>\$ 1,134,748</u>	<u>100.3 %</u>	<u>104.2 %</u>	<u>84.1 %</u>	<u>101.0 %</u>	<u>104.3 %</u>
\$ (12,221)	\$ (46,943)	(0.3) %	(4.2) %	15.9 %	(1.0) %	(4.3) %
\$ -0-	\$ 56,200					
\$ (12,221)	\$ 9,257					
1,761,299	1,752,042					
<u>\$ 1,749,078</u>	<u>\$ 1,761,299</u>					
892	892					
839	840					

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2026**

District Mailing Address - Kleinwood Municipal Utility District
Coats Rose, P.C.
9 Greenway Plaza, Suite 1000
Houston, TX 77046

District Telephone Number - (713) 651-0111

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended March 31, 2026	Expense Reimbursements for the year ended March 31, 2026	Title
Sherry K. Allard	05/25 05/29 (Elected)	\$ 1,547	\$ -0-	President
Robert E. Ehmann	05/25 05/29 (Elected)	\$ 2,652	\$ -0-	Vice President
David C. Guerrero	05/23 05/27 (Elected)	\$ 7,200	\$ -0-	Secretary/ Treasurer
Tom Liewer	10/25 05/27 (Appointed)	\$ 1,768	\$ -0-	Assistant Vice President/ Assistant Secretary
Joseph T. Fratangelo	05/23 05/27 (Elected)	\$ 5,746	\$ -0-	Assistant Secretary

Notes: 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 developers or with any of the District's consultants.

The most recent submission date of the District Registration Form was on October 24, 2025.

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

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2026**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2026</u>	<u>Title</u>
Coats Rose, P.C.	07/24/80	\$ 119,818	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	03/26/15	\$ 22,000	Auditor
Claudia Redden & Associates, LLC	02/28/78	\$ 34,063	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/25/02	\$ 20,592	Delinquent Tax Attorney
Quiddity Engineering	02/22/79	\$ 246,822	Engineer
Blitch Associates, Inc.	03/11/97	\$ -0-	Financial Advisor
Inframark, LLC	04/11/08	\$ 524,015	Operator
Wheeler & Associates	12/17/75	\$ 38,637	Tax Assessor/ Collector
Harris County	Annually	\$ 173,980	Security

See accompanying independent auditor's report.

