

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 371**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

August 31, 2025

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		17
Notes to Financial Statements		19
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		34
Budgetary Comparison Schedule – Special Revenue Fund		35
Notes to Required Supplementary Information		36
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	38
General Fund Expenditures	TSI-2	40
Investments	TSI-3	41
Taxes Levied and Receivable	TSI-4	42
Long-Term Debt Service Requirements by Years	TSI-5	43
Change in Long-Term Bonded Debt	TSI-6	47
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	48
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	50
Board Members, Key Personnel and Consultants	TSI-8	52

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 371
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 371 (the "District"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 371, as of August 31, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 budgetary comparison information 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

***Board of Directors
Harris County Municipal Utility District No. 371
Harris County, Texas***

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 Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGuath & Co, P.C.

Houston, Texas
December 16, 2025

(This page intentionally left blank)

Management's Discussion and Analysis

(This page intentionally left blank)

***Harris County Municipal Utility District No. 371
Management's Discussion and Analysis
August 31, 2025***

Using this Annual Report

This section of the financial report of Harris County Municipal Utility District No. 371 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

Harris County Municipal Utility District No. 371
Management's Discussion and Analysis
August 31, 2025

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at August 31, 2025, was \$5,703,213. A comparative summary of the District's overall financial position, as of August 31, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	\$ 8,274,057	\$ 7,573,677
Capital assets	6,699,553	6,905,078
Total assets	14,973,610	14,478,755
Total deferred outflows of resources	152,567	174,597
Current liabilities	1,365,518	1,309,115
Long-term liabilities	8,057,446	9,045,753
Total liabilities	9,422,964	10,354,868
Net position		
Net investment in capital assets	782,417	485,079
Restricted for debt service	737,288	615,953
Unrestricted	4,183,508	3,197,452
Total net position	\$ 5,703,213	\$ 4,298,484

***Harris County Municipal Utility District No. 371
Management's Discussion and Analysis
August 31, 2025***

The total net position of the District increased during the current fiscal year by \$1,404,729. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Water and sewer service	\$ 697,445	\$ 684,407
Property taxes, penalties and interest	3,107,393	3,001,027
Participant billings	1,179,621	1,078,981
Other	1,023,050	1,059,007
Total revenues	<u>6,007,509</u>	<u>5,823,422</u>
Expenses		
Current service operations	4,056,841	3,798,484
Debt interest and fees	269,123	299,473
Depreciation	276,816	269,689
Total expenses	<u>4,602,780</u>	<u>4,367,646</u>
Change in net position	1,404,729	1,455,776
Net position, beginning of year	4,298,484	2,842,708
Net position, end of year	<u>\$ 5,703,213</u>	<u>\$ 4,298,484</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of August 31, 2025, were \$7,675,180, which consists of \$6,695,168 in the General Fund, \$625,892 in the Debt Service Fund and \$354,120 in the Special Revenue Fund.

General Fund

A comparative summary of the General Fund's financial position as of August 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u>\$ 6,988,934</u>	<u>\$ 6,456,841</u>
Total liabilities	\$ 241,803	\$ 193,832
Total deferred inflows	51,963	42,812
Total fund balance	<u>6,695,168</u>	<u>6,220,197</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 6,988,934</u>	<u>\$ 6,456,841</u>

***Harris County Municipal Utility District No. 371
Management's Discussion and Analysis
August 31, 2025***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2025	2024
Total revenues	\$ 3,433,802	\$ 3,394,441
Total expenditures	(2,958,831)	(2,646,701)
Revenues over expenditures	<u>\$ 474,971</u>	<u>\$ 747,740</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and the provision of water and sewer services to customers within the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water, sewer and regional water authority fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of August 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u>\$ 748,400</u>	<u>\$ 625,873</u>
Total liabilities	\$ 11,112	\$ 9,920
Total deferred inflows	111,396	92,745
Total fund balance	625,892	523,208
Total liabilities, deferred inflows and fund balance	<u>\$ 748,400</u>	<u>\$ 625,873</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2025	2024
Total revenues	\$ 1,350,819	\$ 1,317,662
Total expenditures	(1,248,135)	(1,241,968)
Revenues over expenditures	<u>\$ 102,684</u>	<u>\$ 75,694</u>

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District

***Harris County Municipal Utility District No. 371
Management's Discussion and Analysis
August 31, 2025***

sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Special Revenue Fund

The District uses a Special Revenue Fund to account for the operations of a joint water plant. A comparative summary of the Special Revenue Fund's financial position as of August 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u>\$ 622,564</u>	<u>\$ 576,804</u>
Total liabilities	\$ 268,444	\$ 296,204
Total fund balance	<u>354,120</u>	<u>280,600</u>
Total liabilities and fund balance	<u>\$ 622,564</u>	<u>\$ 576,804</u>

A comparative summary of activities for the Special Revenue Fund's current and prior fiscal year is as follows:

	2025	2024
Total revenues	<u>\$ 1,195,086</u>	<u>\$ 1,098,912</u>
Total expenditures	<u>(1,121,566)</u>	<u>(1,105,565)</u>
Revenues over/(under) expenditures	<u>\$ 73,520</u>	<u>\$ (6,653)</u>

Revenues in the Special Revenue Fund primarily consist of charges to participants in the joint water plant, which are based on a flat rate per 1,000 gallons of water supplied to each participant. See Note 8 for additional information.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$160,924 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

***Harris County Municipal Utility District No. 371
Management's Discussion and Analysis
August 31, 2025***

Capital Assets

Capital assets held by the District at August 31, 2025 and 2024, are summarized as follows:

	2025	2024
Capital assets not being depreciated		
Land and improvements	\$ 749,300	\$ 749,300
Capital assets being depreciated		
Infrastructure	10,072,916	10,072,916
Equipment	616,888	545,597
	<u>10,689,804</u>	<u>10,618,513</u>
Less accumulated depreciation		
Infrastructure	(4,443,078)	(4,211,940)
Equipment	(296,473)	(250,795)
	<u>(4,739,551)</u>	<u>(4,462,735)</u>
Depreciable capital assets, net	<u>5,950,253</u>	<u>6,155,778</u>
Capital assets, net	<u><u>\$ 6,699,553</u></u>	<u><u>\$ 6,905,078</u></u>

Capital asset additions during the current fiscal year include surveillance equipment.

Long-Term Debt

At August 31, 2025 and 2024, the District had total bonded debt outstanding as shown below:

Series	2025	2024
2016 Refunding	\$ 3,580,000	\$ 3,940,000
2019 Refunding	2,785,000	2,915,000
2020 Refunding	2,270,000	2,675,000
	<u><u>\$ 8,635,000</u></u>	<u><u>\$ 9,530,000</u></u>

At August 31, 2025, the District had \$12,650,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$18,520,061 for refunding purposes.

Property Taxes

The District's property tax base increased approximately \$2,510,000 for the 2025 tax year from \$439,933,041 to \$442,442,984. This increase was primarily due to increased property values. For the 2025 tax year, the District has levied a maintenance tax rate of \$0.415 per \$100 of assessed value and a debt service tax rate of \$0.28 per \$100 of assessed value, for a total combined tax rate of \$0.695 per \$100 of assessed value. Tax rates for the 2024 tax year were \$0.405 per \$100 for maintenance and operations and \$0.295 per \$100 for debt service for a combined total of \$0.70 per \$100 of assessed value.

***Harris County Municipal Utility District No. 371
Management's Discussion and Analysis
August 31, 2025***

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	<u>2025 Actual</u>	<u>2026 Budget</u>
Total revenues	\$ 3,433,802	\$ 3,456,352
Total expenditures	<u>(2,958,831)</u>	<u>(3,686,762)</u>
Revenues over/(under) expenditures	474,971	(230,410)
Beginning fund balance	<u>6,220,197</u>	<u>6,695,168</u>
Ending fund balance	<u><u>\$ 6,695,168</u></u>	<u><u>\$ 6,464,758</u></u>

(This page intentionally left blank)

Basic Financial Statements

Harris County Municipal Utility District No. 371
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2025

	General Fund	Debt Service Fund	Special Revenue Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 83,928	\$ 38,563	\$ 98,680	\$ 221,171	\$ -	\$ 221,171
Investments	6,606,332	600,392	365,882	7,572,606		7,572,606
Taxes receivable, net	50,277	111,396		161,673		161,673
Customer service receivables	198,390			198,390		198,390
Internal balances	(86,897)	(1,951)	88,848			
Due from participants			69,154	69,154		69,154
Due from others	3,690			3,690		3,690
Other receivables	12,361			12,361		12,361
Prepaid items	35,012			35,012		35,012
Operating reserve	85,841			85,841	(85,841)	
Capital assets not being depreciated					749,300	749,300
Capital assets, net					5,950,253	5,950,253
Total Assets	<u>\$ 6,988,934</u>	<u>\$ 748,400</u>	<u>\$ 622,564</u>	<u>\$ 8,359,898</u>	<u>6,613,712</u>	<u>14,973,610</u>
Deferred Outflows of Resources						
Deferred difference on refunding					152,567	152,567
Liabilities						
Accounts payable	\$ 138,335	\$ -	\$ 106,461	\$ 244,796		244,796
Other payables	4,796	11,112		15,908		15,908
Customer deposits	98,672			98,672		98,672
Operating reserve from participants			161,983	161,983	(85,841)	76,142
Long-term debt						
Due within one year					930,000	930,000
Due after one year					8,057,446	8,057,446
Total Liabilities	<u>241,803</u>	<u>11,112</u>	<u>268,444</u>	<u>521,359</u>	<u>8,901,605</u>	<u>9,422,964</u>
Deferred Inflows of Resources						
Deferred property taxes	50,277	111,396		161,673	(161,673)	
Deferred City of Houston sales tax rebates	1,686			1,686	(1,686)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	120,853			120,853	(120,853)	
Restricted		625,892		625,892	(625,892)	
Committed			354,120	354,120	(354,120)	
Unassigned	6,574,315			6,574,315	(6,574,315)	
Total Fund Balances	<u>6,695,168</u>	<u>625,892</u>	<u>354,120</u>	<u>7,675,180</u>	<u>(7,675,180)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,988,934</u>	<u>\$ 748,400</u>	<u>\$ 622,564</u>	<u>\$ 8,359,898</u>		
Net Position						
Net investment in capital assets					782,417	782,417
Restricted for debt service					737,288	737,288
Unrestricted					4,183,508	4,183,508
Total Net Position					<u>\$ 5,703,213</u>	<u>\$ 5,703,213</u>

See notes to basic financial statements.

Harris County Municipal Utility District No. 371

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

For the Year Ended August 31, 2025

	General Fund	Debt Service Fund	Special Revenue Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 355,721	\$ -	\$ -	\$ 355,721	\$ -	\$ 355,721
Sewer service	341,724			341,724		341,724
Property taxes	1,771,235	1,290,155		3,061,390	16,950	3,078,340
Penalties and interest	9,203	8,353		17,556	11,497	29,053
Participant billings			1,179,621	1,179,621		1,179,621
Tap connection and inspection	22,125			22,125		22,125
Regional water authority fees	594,418			594,418		594,418
City of Houston sales tax rebates	20,859			20,859	(645)	20,214
Miscellaneous	20,642			20,642		20,642
Investment earnings	297,875	52,311	15,465	365,651		365,651
Total Revenues	3,433,802	1,350,819	1,195,086	5,979,707	27,802	6,007,509
Expenditures/Expenses						
Current service operations						
Purchased services	856,994			856,994		856,994
Professional fees	299,936		5,000	304,936		304,936
Contracted services	902,161	42,107	42,302	986,570		986,570
Repairs and maintenance	615,304		103,845	719,149		719,149
Utilities	112,420		48,823	161,243		161,243
Regional water authority fees			913,023	913,023		913,023
Administrative	75,667	5,628	7,266	88,561		88,561
Other	25,058		1,307	26,365		26,365
Capital outlay	71,291			71,291	(71,291)	
Debt service						
Principal		895,000		895,000	(895,000)	
Interest and fees		305,400		305,400	(36,277)	269,123
Depreciation					276,816	276,816
Total Expenditures/Expenses	2,958,831	1,248,135	1,121,566	5,328,532	(725,752)	4,602,780
Revenues Over Expenditures	474,971	102,684	73,520	651,175	(651,175)	
Change in Net Position					1,404,729	1,404,729
Fund Balance/Net Position						
Beginning of the year	6,220,197	523,208	280,600	7,024,005	(2,725,521)	4,298,484
End of the year	\$ 6,695,168	\$ 625,892	\$ 354,120	\$ 7,675,180	\$ (1,971,967)	\$ 5,703,213

See notes to basic financial statements.

(This page intentionally left blank)

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 371 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Natural Resource Conservation Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated March 16, 2000, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on March 28, 2000, and the first bonds were issued on November 8, 2001.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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 statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major”

Harris County Municipal Utility District No. 371
Notes to Financial Statements
August 31, 2025

funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Special Revenue Fund is used to account for activities of a joint water plant. The principal source of revenues is participant billings, which are based on a flat rate per 1,000 gallons of water supplied to each participant district. See Note 8 for additional information.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations, and City of Houston sales tax rebates. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Harris County Municipal Utility District No. 371
Notes to Financial Statements
August 31, 2025

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At August 31, 2025, allowances of \$1,761 was provided for possible uncollectible property taxes. An allowance for uncollectible service accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is \$50,000. The threshold for subscription-based information technology arrangements (SBITAs) is \$100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water and wastewater facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	20-45 years
Equipment	10 years

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes and City of Houston sales tax rebates receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government-wide level are from refunding bond transactions in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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. The District’s nonspendable fund balance consists of prepaid items and operating reserves paid to the Special Revenue Fund for the joint water supply plant.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balance consist of property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the

Harris County Municipal Utility District No. 371
Notes to Financial Statements
August 31, 2025

extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District's committed fund balances in the Special Revenue Fund consist of amounts restricted for the operation of the joint water plant.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables, the value of unbilled utility revenues and receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Harris County Municipal Utility District No. 371
Notes to Financial Statements
August 31, 2025

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		\$ 7,675,180
--	--	--------------

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 11,439,104	
Less accumulated depreciation	<u>(4,739,551)</u>	6,699,553

The difference between the face amount of bonds refunded and the amount paid to refund the bonds does not provide financial resources at the fund level and is recorded as a deferred outflow in the *Statement of Net Position* and amortized to interest expense.

152,567

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable, net.

(8,987,446)

Deferred inflows in the fund statements consist of receivables that are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.

Property taxes and related penalties and interest	161,673	
City of Houston sales tax rebates	<u>1,686</u>	163,359

Total net position - governmental activities		<u><u>\$ 5,703,213</u></u>
--	--	----------------------------

Harris County Municipal Utility District No. 371
Notes to Financial Statements
August 31, 2025

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds	\$ 651,175
--	------------

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for the following:

Property taxes and related penalties and interest	\$ 28,447	
City of Houston sales tax rebates	<u>(645)</u>	
		27,802

Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives. Differences during the current fiscal year are for the following:

Capital outlays	71,291	
Depreciation expense	<u>(276,816)</u>	
		(205,525)

Financial reporting for long-term obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as liabilities are acquired and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:

Principal payments - bonds	895,000	
Interest expense accrual	<u>36,277</u>	
		931,277

Change in net position of governmental activities	<u><u>\$ 1,404,729</u></u>
---	----------------------------

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies

Harris County Municipal Utility District No. 371
Notes to Financial Statements
August 31, 2025

the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of August 31, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
Texas CLASS	General	\$ 6,606,332		
	Debt Service	600,392		
	Special Revenue	365,882		
Total		<u>\$ 7,572,606</u>	AAAm	44 days

Texas CLASS

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and UMB Bank N.A., as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair

Harris County Municipal Utility District No. 371
Notes to Financial Statements
August 31, 2025

value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at August 31, 2025, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 1,951	Maintenance tax collections not remitted as of year end
Special Revenue Fund	General Fund	88,848	Joint water plant participant billings

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Harris County Municipal Utility District No. 371
Notes to Financial Statements
August 31, 2025

Note 5 – Capital Assets

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

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 749,300	\$ -	\$ 749,300
Capital assets being depreciated			
Infrastructure	10,072,916		10,072,916
Equipment	545,597	71,291	616,888
	<u>10,618,513</u>	<u>71,291</u>	<u>10,689,804</u>
Less accumulated depreciation			
Infrastructure	(4,211,940)	(231,138)	(4,443,078)
Equipment	(250,795)	(45,678)	(296,473)
	<u>(4,462,735)</u>	<u>(276,816)</u>	<u>(4,739,551)</u>
Depreciable capital assets, net	<u>6,155,778</u>	<u>(205,525)</u>	<u>5,950,253</u>
Capital assets, net	<u>\$ 6,905,078</u>	<u>\$ (205,525)</u>	<u>\$ 6,699,553</u>

Depreciation expense for the current fiscal year was \$276,816.

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 8,635,000
Unamortized discounts	(15,244)
Unamortized premium	<u>367,690</u>
	<u>\$ 8,987,446</u>
Due within one year	<u>\$ 930,000</u>

Harris County Municipal Utility District No. 371
Notes to Financial Statements
August 31, 2025

The District's bonds payable at August 31, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016 Refunding	\$ 3,580,000	\$ 6,170,000	2.00% - 4.00%	September 1, 2017/2033	March 1, September 1	September 1, 2023
2019 Refunding	2,785,000	3,355,000	2.50% - 3.00%	September 1, 2020/2033	March 1, September 1	September 1, 2024
2020 Refunding	2,270,000	3,775,000	2.00% - 4.00%	September 1, 2021/2030	March 1, September 1	September 1, 2025
	<u>\$ 8,635,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At August 31, 2025, the District had authorized but unissued bonds in the amount of \$12,650,000 for water, sewer and drainage facilities and \$18,520,061 for refunding purposes.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 9,530,000
Bonds retired	(895,000)
Bonds payable, end of year	<u>\$ 8,635,000</u>

The debt service payment due September 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of August 31, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	\$ 930,000	\$ 269,250	\$ 1,199,250
2027	970,000	233,350	1,203,350
2028	1,005,000	204,700	1,209,700
2029	1,035,000	174,900	1,209,900
2030	1,070,000	144,200	1,214,200
2031	1,170,000	113,050	1,283,050
2032	1,205,000	76,600	1,281,600
2033	1,250,000	39,050	1,289,050
	<u>\$ 8,635,000</u>	<u>\$ 1,255,100</u>	<u>\$ 9,890,100</u>

Harris County Municipal Utility District No. 371
Notes to Financial Statements
August 31, 2025

Note 7 – Property Taxes

On May 6, 2000, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Harris Central 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.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of \$0.70 per \$100 of assessed value, of which \$0.405 was allocated to maintenance and operations and \$0.295 was allocated to debt service. The resulting tax levy was \$3,079,531 on the adjusted taxable value of \$439,933,041.

Net property taxes receivable, at August 31, 2025, consisted of the following:

Current year taxes receivable	\$ 20,705
Prior years taxes receivable	70,291
Less allowance for uncollectible accounts	(1,761)
	<u>89,235</u>
Penalty and interest receivable	<u>72,438</u>
Net property taxes receivable	<u><u>\$ 161,673</u></u>

Note 8 – Joint Water Plant

The District, a developer in the area of the District and Harris County Municipal Utility District No. 374 (“MUD 374”) have entered into an agreement whereby each owns a portion of a water plant and its site. The District is responsible for the operation and maintenance of the water plant and has established a Special Revenue Fund to account for the activities of the water plant. Each party has made an operating reserve deposit to the Special Revenue Fund and is billed monthly for maintenance and operating costs based on their respective usage in accordance with a budgeted unit cost.

Harris County Municipal Utility District No. 371
Notes to Financial Statements
August 31, 2025

The amounts billed to each party during the year and cumulative operating reserves paid by the participants are as follows:

<u>Participant</u>	<u>Revenues</u>	<u>Operating Reserve</u>
District	\$ 856,994	\$ 85,841
MUD 374	226,147	63,793
Developer	96,480	12,349
	<u>\$ 1,179,621</u>	<u>\$ 161,983</u>

Note 9 – West Harris County Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the “Authority”), which was created by the Texas Legislature in 2001. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal.

The Authority charges a groundwater pumpage fee to all permitted well owners within its boundaries and a surface water fee for all surface water provided to water suppliers. As of August 31, 2025, the groundwater pumpage fee was \$3.95 per 1,000 gallons of water pumped and surface water fee was \$4.35 per 1,000 gallons of surface water delivered to the District. This rate is subject to future increases. The District passes this cost on to its customer. During the current year, the District recognized \$594,418 in revenues related to surface water conversion.

Note 10 – Strategic Partnership Agreement

On December 12, 2008, the District entered into a thirty-year Strategic Partnership Agreement with the City of Houston (the “City”). The City annexed a portion of the District for limited purposes. At the end of the thirty-year term of this agreement, the parties may renegotiate the agreement, agree to a full purpose annexation of the District, or allow the agreement to expire. During the period of limited purpose annexation, the City shall impose a sales and use tax on retail sales within the annexed area at a rate of one percent. The City will rebate to the District fifty percent of the sales and use tax that the City collects within the boundaries of the District. As consideration for receipt of the funds from the City, the District shall take one or a combination of the following actions: 1) accelerate the development of the water, wastewater and drainage facilities; 2) accelerate reimbursement to developers; 3) lower the overall property tax rate; or 4) perform other District functions that might otherwise be hindered by financial limitations, all of which would be done in order to encourage development of the District. During the current year, the District recognized \$20,214 in sales tax revenues from the City.

Harris County Municipal Utility District No. 371
Notes to Financial Statements
August 31, 2025

Note 11 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Required Supplementary Information

Harris County Municipal Utility District No. 371
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended August 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 363,000	\$ 363,000	\$ 355,721	\$ (7,279)
Sewer service	336,000	336,000	341,724	5,724
Property taxes	1,838,904	1,761,584	1,771,235	9,651
Penalties and interest	10,440	10,440	9,203	(1,237)
Tap connection and inspection	7,200	19,940	22,125	2,185
Regional water authority fees	600,000	600,000	594,418	(5,582)
City of Houston sales tax rebates	25,800	25,800	20,859	(4,941)
Miscellaneous	22,425	22,425	20,642	(1,783)
Investment earnings	279,600	279,600	297,875	18,275
Total Revenues	<u>3,483,369</u>	<u>3,418,789</u>	<u>3,433,802</u>	<u>15,013</u>
Expenditures				
Current service operations				
Purchased services	966,180	966,180	856,994	109,186
Professional fees	184,000	239,100	299,936	(60,836)
Contracted services	880,819	880,819	902,161	(21,342)
Repairs and maintenance	662,755	662,755	615,304	47,451
Utilities	55,208	55,208	112,420	(57,212)
Administrative	132,427	131,310	75,667	55,643
Other	19,370	19,370	25,058	(5,688)
Capital outlay	150,000	150,000	71,291	78,709
Total Expenditures	<u>3,050,759</u>	<u>3,104,742</u>	<u>2,958,831</u>	<u>145,911</u>
Revenues Over Expenditures	432,610	314,047	474,971	160,924
Fund Balance				
Beginning of the year	<u>6,220,197</u>	<u>6,220,197</u>	<u>6,220,197</u>	
End of the year	<u>\$ 6,652,807</u>	<u>\$ 6,534,244</u>	<u>\$ 6,695,168</u>	<u>\$ 160,924</u>

***Harris County Municipal Utility District No. 371
Required Supplementary Information - Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended August 31, 2025***

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billings	\$ 1,342,632	\$ 1,179,621	\$ (163,011)
Investment earnings	18,000	15,465	(2,535)
Total Revenues	<u>1,360,632</u>	<u>1,195,086</u>	<u>(165,546)</u>
Expenditures			
Current service operations			
Professional fees	19,500	5,000	14,500
Contracted services	99,784	42,302	57,482
Repairs and maintenance	170,440	103,845	66,595
Utilities	47,838	48,823	(985)
Regional water authority fees	1,023,429	913,023	110,406
Administrative	8,505	7,266	1,239
Other	120	1,307	(1,187)
Total Expenditures	<u>1,369,616</u>	<u>1,121,566</u>	<u>248,050</u>
Revenues Over/(Under) Expenditures	(8,984)	73,520	82,504
Fund Balance			
Beginning of the year	280,600	280,600	
End of the year	<u>\$ 271,616</u>	<u>\$ 354,120</u>	<u>\$ 82,504</u>

Harris County Municipal Utility District No. 371
Notes to Required Supplementary Information
August 31, 2025

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The General Fund budget was amended during the year to reflect changes in anticipated revenues and expenditures. There were no amendments to the Special Revenue Fund budget during the year.

Texas Supplementary Information

Harris County Municipal Utility District No. 371
TSI-1. Services and Rates
August 31, 2025

1. Services provided by the District During the Fiscal Year:

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 20.50	10,000	N	\$ 1.50	10,001 to	20,000
				1.75	20,001 to	30,000
				2.00	30,001 to	40,000
				3.50	40,001 to	no limit
Wastewater:	\$ 31.00	N/A	Y			
Surcharge:	\$ -	N/A	N	\$ 4.35	0 to	no limit

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage: Water \$ 64.00 Wastewater \$ 31.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	717	713	x 1.0	713
1"	158	158	x 2.5	395
1.5"	4	4	x 5.0	20
2"	9	9	x 8.0	72
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	889	885		1,225
Total Wastewater	859	856	x 1.0	856

See accompanying auditor's report.

Harris County Municipal Utility District No. 371
TSI-1. Services and Rates
August 31, 2025

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>209,636,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>192,527,000</u>	(Gallons billed / Gallons pumped)
		<u>91.84%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

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

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes ☒ No ☐

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which the District is located: _____

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

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? _____

See accompanying auditor's report.

Harris County Municipal Utility District No. 371
TSI-2. General Fund Expenditures
For the Year Ended August 31, 2025

Purchased services	<u>\$ 856,994</u>
Professional fees	
Legal	115,034
Audit	17,000
Engineering	167,902
	<u>299,936</u>
Contracted services	
Bookkeeping	38,879
Operator	85,745
Garbage collection	214,751
Security	460,225
Tap inspection	13,066
Sludge removal	89,495
	<u>902,161</u>
Repairs and maintenance	<u>615,304</u>
Utilities	<u>112,420</u>
Administrative	
Directors fees	17,017
Printing and office supplies	11,952
Insurance	16,683
Other	30,015
	<u>75,667</u>
Other	<u>25,058</u>
Capital outlay	<u>71,291</u>
Total expenditures	<u><u>\$ 2,958,831</u></u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 371
TSI-3. Investments
August 31, 2025

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
Texas CLASS	Variable	N/A	\$ 6,606,332
Debt Service			
Texas CLASS	Variable	N/A	600,392
Special Revenue			
Texas CLASS	Variable	N/A	<u>365,882</u>
Total - All Funds			<u><u>\$ 7,572,606</u></u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 371
TSI-4. Taxes Levied and Receivable
August 31, 2025

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 40,481	\$ 31,804	\$ 72,285	
Adjustments	(699)	(493)	(1,192)	
Adjusted Receivable	39,782	31,311	71,093	
2024 Original Tax Levy	1,734,057	1,263,079	2,997,136	
Adjustments	47,671	34,724	82,395	
Adjusted Tax Levy	1,781,728	1,297,803	3,079,531	
Total to be accounted for	1,821,510	1,329,114	3,150,624	
Tax collections:				
Current year	1,769,749	1,289,077	3,058,826	
Prior years	1,484	1,079	2,563	
Total Collections	1,771,233	1,290,156	3,061,389	
Taxes Receivable, End of Year	\$ 50,277	\$ 38,958	\$ 89,235	
Taxes Receivable, By Years				
2024	\$ 11,979	\$ 8,726	\$ 20,705	
2023	5,198	3,775	8,973	
2022	4,366	3,051	7,417	
2021 and prior	28,734	23,406	52,140	
Taxes Receivable, End of Year	\$ 50,277	\$ 38,958	\$ 89,235	
	2024	2023	2022	2021
Property Valuations:				
Land	\$ 93,345,293	\$ 91,618,204	\$ 73,661,181	\$ 73,560,085
Improvements	382,902,203	388,960,883	358,266,708	275,134,545
Personal Property	4,730,629	4,171,894	4,255,437	3,858,021
Exemptions	(41,045,084)	(74,624,239)	(62,272,809)	(18,984,280)
Total Property Valuations	\$ 439,933,041	\$ 410,126,742	\$ 373,910,517	\$ 333,568,371
Tax Rates per \$100 Valuation:				
Maintenance tax rates *	\$ 0.405	\$ 0.420	\$ 0.458	\$ 0.458
Debt service tax rates	0.295	0.305	0.320	0.370
Total Tax Rates per \$100 Valuation	\$ 0.700	\$ 0.725	\$ 0.778	\$ 0.828
Adjusted Tax Levy:	\$ 3,079,531	\$ 2,973,419	\$ 2,909,024	\$ 2,761,946
Percentage of Taxes Collected to Taxes Levied **	99.33%	99.70%	99.75%	99.74%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 6, 2000

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

See accompanying auditor's report.

Harris County Municipal Utility District No. 371
TSI-5. Long-Term Debt Service Requirements
Series 2016 Refunding--by Years
August 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 380,000	\$ 143,200	\$ 523,200
2027	395,000	128,000	523,000
2028	420,000	112,200	532,200
2029	435,000	95,400	530,400
2030	455,000	78,000	533,000
2031	480,000	59,800	539,800
2032	495,000	40,600	535,600
2033	520,000	20,800	540,800
	<u>\$ 3,580,000</u>	<u>\$ 678,000</u>	<u>\$ 4,258,000</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 371
TSI-5. Long-Term Debt Service Requirements
Series 2019 Refunding--by Years
August 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 130,000	\$ 72,250	\$ 202,250
2027	135,000	68,350	203,350
2028	130,000	64,300	194,300
2029	130,000	60,400	190,400
2030	130,000	56,500	186,500
2031	690,000	53,250	743,250
2032	710,000	36,000	746,000
2033	730,000	18,250	748,250
	<u>\$ 2,785,000</u>	<u>\$ 429,300</u>	<u>\$ 3,214,300</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 371
TSI-5. Long-Term Debt Service Requirements
Series 2020 Refunding--by Years
August 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 420,000	\$ 53,800	\$ 473,800
2027	440,000	37,000	477,000
2028	455,000	28,200	483,200
2029	470,000	19,100	489,100
2030	485,000	9,700	494,700
	<u>\$ 2,270,000</u>	<u>\$ 147,800</u>	<u>\$ 2,417,800</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 371
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
August 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 930,000	\$ 269,250	\$ 1,199,250
2027	970,000	233,350	1,203,350
2028	1,005,000	204,700	1,209,700
2029	1,035,000	174,900	1,209,900
2030	1,070,000	144,200	1,214,200
2031	1,170,000	113,050	1,283,050
2032	1,205,000	76,600	1,281,600
2033	1,250,000	39,050	1,289,050
	<u>\$ 8,635,000</u>	<u>\$ 1,255,100</u>	<u>\$ 9,890,100</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 371
TSI-6. Change in Long-Term Bonded Debt
August 31, 2025

	Bond Issue			
	Series 2016 Refunding	Series 2019 Refunding	Series 2020 Refunding	Totals
Interest rate	2.00% - 4.00%	2.50% - 3.00%	2.00% - 4.00%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/17 - 9/1/33	9/1/20 - 9/1/33	9/1/21 - 9/1/30	
Beginning bonds outstanding	\$ 3,940,000	\$ 2,915,000	\$ 2,675,000	\$ 9,530,000
Bonds retired	(360,000)	(130,000)	(405,000)	(895,000)
Ending bonds outstanding	<u>\$ 3,580,000</u>	<u>\$ 2,785,000</u>	<u>\$ 2,270,000</u>	<u>\$ 8,635,000</u>
Interest paid during fiscal year	<u>\$ 157,600</u>	<u>\$ 76,150</u>	<u>\$ 70,000</u>	<u>\$ 303,750</u>
Paying agent's name and city All Series	<u>Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>			

	Water, Sewer and Drainage Bonds	Refunding Bonds
Bond Authority:		
Amount Authorized by Voters	\$ 32,500,000	\$ 19,500,000
Amount Issued	(19,850,000)	(979,939)
Remaining To Be Issued	<u>\$ 12,650,000</u>	<u>\$ 18,520,061</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balance as of August 31, 2025: \$ 638,955

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,236,263

See accompanying auditor's report.

Harris County Municipal Utility District No. 371**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund****For the Last Five Fiscal Years**

	Amounts				
	2025	2024	2023	2022**	2021
Revenues					
Water service	\$ 355,721	\$ 359,073	\$ 378,588	\$ 369,338	\$ 323,723
Sewer service	341,724	325,334	328,203	366,023	332,854
Property taxes	1,771,235	1,719,573	1,707,772	1,522,282	1,487,049
Penalties and interest	9,203	8,669	9,693	11,078	6,562
Tap connection and inspection	22,125	7,480	7,775	8,375	9,444
Regional water authority fees	594,418	603,910	630,323	589,469	470,651
City of Houston sales tax rebates	20,859	25,384	26,640	20,452	18,000
Miscellaneous	20,642	21,658	18,038	19,321	72,801
Investment earnings	297,875	323,360	241,022	28,092	2,688
Total Revenues	3,433,802	3,394,441	3,348,054	2,934,430	2,723,772
Expenditures					
Current service operations					
Purchased services	856,994	776,534	992,630	766,571	719,054
Professional fees	299,936	224,461	163,257	170,975	161,051
Contracted services	902,161	887,897	850,990	705,083	754,985
Repairs and maintenance	615,304	520,144	484,255	283,377	301,167
Utilities	112,420	103,205	105,837	99,077	104,652
Administrative	75,667	113,896	84,334	92,602	78,247
Other	25,058	20,564	16,360	18,085	26,552
Capital outlay	71,291				1,041,662
Total Expenditures	2,958,831	2,646,701	2,697,663	2,135,770	3,187,370
Revenues Over/(Under)					
Expenditures	474,971	747,740	650,391	798,660	(463,598)
Fund Balance, Beginning of the year	6,220,197	5,472,457	4,822,066	4,023,406	4,487,004
End of the year	<u>\$ 6,695,168</u>	<u>\$ 6,220,197</u>	<u>\$ 5,472,457</u>	<u>\$ 4,822,066</u>	<u>\$ 4,023,406</u>

*Percentage is negligible

**Professional fees for 2022 have been restated as a result of financial statement classification error.

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022**	2021
10%	9%	11%	13%	12%
10%	10%	10%	12%	12%
52%	51%	51%	52%	55%
*	*	*	*	*
*	*	*	*	*
17%	18%	19%	20%	17%
1%	1%	1%	1%	1%
1%	1%	1%	1%	3%
9%	10%	7%	1%	*
100%	100%	100%	100%	100%
25%	23%	30%	26%	26%
9%	7%	5%	6%	6%
26%	26%	25%	24%	28%
18%	15%	14%	10%	11%
3%	3%	3%	3%	4%
2%	3%	3%	3%	3%
1%	1%	*	1%	1%
2%				38%
88%	78%	80%	73%	117%
12%	22%	20%	27%	(17%)

Harris County Municipal Utility District No. 371

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Property taxes	\$ 1,290,155	\$ 1,248,613	\$ 1,193,536	\$ 1,230,055	\$ 1,191,951
Penalties and interest	8,353	11,765	8,861	9,099	13,951
Miscellaneous					30
Investment earnings	52,311	57,284	49,452	7,665	406
Total Revenues	1,350,819	1,317,662	1,251,849	1,246,819	1,206,338
Expenditures					
Tax collection services	47,735	46,218	42,894	44,783	38,914
Other					30
Debt service					
Principal	895,000	860,000	825,000	805,000	780,000
Interest and fees	305,400	335,750	364,000	391,650	424,690
Debt issuance costs					176,110
Total Expenditures	1,248,135	1,241,968	1,231,894	1,241,433	1,419,744
Revenues Over/(Under)					
Expenditures	102,684	75,694	19,955	5,386	(213,406)
Other Financing Sources/(Uses)					
Payment to refunded bond escrow agent					(3,855,000)
Proceeds from sale of refunding bonds					3,775,000
Bond premium					278,524
Net Change in Fund Balance	102,684	75,694	19,955	5,386	(14,882)
Fund Balance, Beginning of the year	523,208	447,514	427,559	422,173	437,055
End of the year	<u>\$ 625,892</u>	<u>\$ 523,208</u>	<u>\$ 447,514</u>	<u>\$ 427,559</u>	<u>\$ 422,173</u>
Total Active Retail Water					
Connections	885	885	885	888	886
Total Active Retail Wastewater					
Connections	856	856	856	859	857

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
95%	95%	95%	98%	99%
1%	1%	1%	1%	1%
				*
4%	4%	4%	1%	*
100%	100%	100%	100%	100%
4%	4%	3%	4%	3%
				*
66%	65%	66%	65%	65%
23%	25%	29%	31%	35%
				15%
93%	94%	98%	100%	118%
7%	6%	2%	-	(18%)

Harris County Municipal Utility District No. 371
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended August 31, 2025

Complete District Mailing Address: 2727 Allen Parkway, Suite 1100, Houston, Texas 77019
District Business Telephone Number: (713) 652-6500
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): May 11, 2023
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Stephen Jester	05/22 - 05/26	\$ 4,420	\$ 55	President
Brad Davidsen	05/24 - 05/28	3,315	62	Vice President
Trisha Bonar	05/24 - 05/28	3,094	62	Secretary
Chris Von Wiesenthal	05/24 - 05/28	1,989	56	Assistant Vice President
Joseph Deluke	07/24 - 05/26	4,199	76	Assistant Secretary

		Amounts Paid	
Consultants			
Smith, Murdaugh, Little & Bonham, LLP	2010		Attorney
<i>General legal fees</i>		\$ 115,088	
Inframark, LLC	2000	879,518	Operator
McLennan and Associates, L.P.	2004	63,683	Bookkeeper
Bob Leared Interests, Inc.	2000	16,008	Tax Collector
Harris Central Appraisal District	Legislation	22,802	Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2001	3,297	Delinquent Tax Attorney
Pape-Dawson Engineers, Inc	2018	167,231	Engineer
McGrath & Co., PLLC	2016	22,000	Auditor
Rathmann & Associates, L.P.	2005		Financial Advisor

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

See accompanying auditor's report.