



**Harris County Municipal Utility
District No. 321
Harris County, Texas**

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

September 30, 2025



Harris County Municipal Utility District No. 321
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September 30, 2025

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 321
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 321 (District), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2025, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

**Houston, Texas
February 2, 2026**

**Harris County Municipal Utility District No. 321
Management's Discussion and Analysis
Year Ended September 30, 2025**

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that engage in a single governmental program, such as the provision of water, sanitary sewer, and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position, and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

**Harris County Municipal Utility District No. 321
Management’s Discussion and Analysis
Year Ended September 30, 2025**

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2025	2024
Current and other assets	\$ 11,274,769	\$ 9,735,660
Capital assets	56,194,503	55,899,179
Total assets	\$ 67,469,272	\$ 65,634,839
Long-term liabilities	\$ 49,212,146	\$ 51,283,577
Other liabilities	875,488	1,050,305
Total liabilities	50,087,634	52,333,882
Net position		
Net investment in capital assets	18,262,953	15,993,279
Restricted	4,341,578	4,046,153
Unrestricted	(5,222,893)	(6,738,475)
Total net position	\$ 17,381,638	\$ 13,300,957

**Harris County Municipal Utility District No. 321
Management’s Discussion and Analysis
Year Ended September 30, 2025**

The total net position of the District increased by \$4,080,681, or approximately 31%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District’s bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes	\$ 6,359,151	\$ 5,997,043
Sales tax rebates	1,203,925	1,176,491
Charges for services	2,344,991	2,027,878
Other revenues	<u>589,305</u>	<u>592,822</u>
Total revenues	<u>10,497,372</u>	<u>9,794,234</u>
Expenses		
Services	4,194,212	4,544,525
Depreciation	522,020	489,018
Conveyance of capital assets	-	70,384
Debt service	<u>1,700,459</u>	<u>1,755,961</u>
Total expenses	<u>6,416,691</u>	<u>6,859,888</u>
Change in net position	4,080,681	2,934,346
Net position, beginning of year	<u>13,300,957</u>	<u>10,366,611</u>
Net position, end of year	<u>\$ 17,381,638</u>	<u>\$ 13,300,957</u>

Financial Analysis of the District’s Funds

The District’s combined fund balances as of the end of the fiscal year ended September 30, 2025 were \$9,886,581, an increase of \$1,622,220 from the prior year.

The general fund’s fund balance increased by \$1,444,765 primarily due to property taxes, sales tax rebates, and service revenues as well as investment income and an interfund transfer received from the capital projects fund exceeding capital outlay and service operations expenditures.

The debt service fund’s fund balance increased by \$275,430 primarily due to property tax revenues and investment income exceeding bond principal and interest requirements and contracted services expenditures.

The capital projects fund’s fund balance decreased by \$97,975 primarily due to an interfund transfer to the general fund.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax, sales tax rebates and sewer service revenues, investment income, purchased services expenditures, and repairs and maintenance expenditures being greater than anticipated and water service revenues and capital outlay expenditures being less than anticipated. In addition, a transfer received from the capital projects fund was not included in the budget. The fund balance as of September 30, 2025 was expected to be \$5,038,105, and the actual end-of-year fund balance was \$5,442,390.

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Management’s Discussion and Analysis
Year Ended September 30, 2025**

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 40,086,787	\$ 40,089,878
Construction in progress	137,923	214,704
Water facilities	11,909,559	11,381,573
Wastewater facilities	3,905,659	4,048,788
Park facilities	154,575	164,236
	<u>56,194,503</u>	<u>55,899,179</u>
Total capital assets	<u>\$ 56,194,503</u>	<u>\$ 55,899,179</u>

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

Construction in progress related to diesel generator at lift station No. 2 and installation of canopies for water plant No. 1 and associated chemical tanks	\$ 16,381
Water well No. 3 water line extension	383,097
Water plant No. 1 rehabilitation of ground storage tank Nos. 1 and 2 and hydropneumatic tank Nos. 1 and 2	314,694
Water well No. 2 motor	130,290
Lift station automatic gate	21,019
	<u>865,481</u>
Total additions to capital assets	<u>\$ 865,481</u>

Debt

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

Long-term debt payable, beginning of year	\$ 51,283,577
Decreases in long-term debt	<u>(2,071,431)</u>
Long-term debt payable, end of year	<u>\$ 49,212,146</u>

At September 30, 2025, the District had \$98,076,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District or for refunding said bonds; \$27,190,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing, and improving recreational facilities or for refunding said bonds; and \$26,965,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing, and improving road facilities or for refunding said bonds.

The District’s bonds issued in 2017 and thereafter carry an underlying rating of "Baa1" from Moody's Investors Service and also carry a "AA" rating from Standard & Poor’s by virtue of bond insurance issued by Build America Mutual Assurance Company.

**Harris County Municipal Utility District No. 321
Management's Discussion and Analysis
Year Ended September 30, 2025**

Other Relevant Factors

Strategic Partnership Agreement

Effective December 2, 2002, the District and the City of Houston (City) entered into a Strategic Partnership Agreement (Agreement) under which the City annexed a tract of land within the boundaries of the District for the limited purposes of applying certain of the City's Planning, Development, Health, and Safety Ordinances. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract of land to the District. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer, and drainage services within the District. The City agrees it will not annex the District for full purposes or commence any action to annex the District until: (i) at least 90% of the District's water, sewer, and drainage facilities have been developed or 30 years, whichever comes first; and (ii) the developer(s) developing water, sewer, and drainage facilities have been reimbursed by the District to the maximum extent permitted by the rules of the Commission, or the City assumes any obligation for such reimbursement by the District under such rules. In no event will the date that the City may exercise its option to annex the District for full purposes be more than 30 years from the effective date of the Agreement.

Harris County Municipal Utility District No. 321
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets						
Cash	\$ 312,208	\$ 179,040	\$ 2,508	\$ 493,756	\$ -	\$ 493,756
Certificates of deposit	715,204	240,980	-	956,184	-	956,184
Short-term investments	4,466,978	4,043,662	2,799	8,513,439	-	8,513,439
Receivables						
Property taxes	18,162	29,269	-	47,431	-	47,431
Service accounts	325,167	-	-	325,167	-	325,167
Sales tax rebates	200,000	-	-	200,000	103,500	303,500
Accrued interest	2,185	411	-	2,596	-	2,596
Due from others	135,491	-	-	135,491	493,651	629,142
Interfund receivables	20,927	-	-	20,927	(20,927)	-
Prepaid expenditures	3,554	-	-	3,554	-	3,554
Capital assets (net of accumulated depreciation)						
Land and improvements	-	-	-	-	40,086,787	40,086,787
Construction in progress	-	-	-	-	137,923	137,923
Infrastructure	-	-	-	-	15,815,218	15,815,218
Park facilities	-	-	-	-	154,575	154,575
Total Assets	<u>\$ 6,199,876</u>	<u>\$ 4,493,362</u>	<u>\$ 5,307</u>	<u>\$ 10,698,545</u>	<u>\$ 56,770,727</u>	<u>\$ 67,469,272</u>

Harris County Municipal Utility District No. 321
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2025

(Continued)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Liabilities						
Accounts payable	\$ 550,781	\$ 4,282	\$ -	\$ 555,063	\$ -	\$ 555,063
Accrued interest payable	-	-	-	-	131,882	131,882
Customer deposits	163,190	-	-	163,190	-	163,190
Due to others	25,353	-	-	25,353	-	25,353
Interfund payables	-	20,927	-	20,927	(20,927)	-
Long-term liabilities						
Due within one year	-	-	-	-	2,185,000	2,185,000
Due after one year	-	-	-	-	47,027,146	47,027,146
Total Liabilities	<u>739,324</u>	<u>25,209</u>	<u>-</u>	<u>764,533</u>	<u>49,323,101</u>	<u>50,087,634</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>18,162</u>	<u>29,269</u>	<u>-</u>	<u>47,431</u>	<u>(47,431)</u>	<u>-</u>
Fund Balances/Net Position						
Fund balances						
Nonspendable, prepaid expenditures	3,554	-	-	3,554	(3,554)	-
Restricted						
Debt service on unlimited tax bonds	-	3,764,202	-	3,764,202	(3,764,202)	-
Debt service on unlimited tax road bonds	-	674,682	-	674,682	(674,682)	-
Water, sewer, and drainage	-	-	5,307	5,307	(5,307)	-
Assigned						
Operating reserve	100,000	-	-	100,000	(100,000)	-
Future expenditures	160,053	-	-	160,053	(160,053)	-
Unassigned	<u>5,178,783</u>	<u>-</u>	<u>-</u>	<u>5,178,783</u>	<u>(5,178,783)</u>	<u>-</u>
Total fund balances	<u>5,442,390</u>	<u>4,438,884</u>	<u>5,307</u>	<u>9,886,581</u>	<u>(9,886,581)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,199,876</u>	<u>\$ 4,493,362</u>	<u>\$ 5,307</u>	<u>\$ 10,698,545</u>		
Net position						
Net investment in capital assets					18,262,953	18,262,953
Restricted for debt service					4,336,271	4,336,271
Restricted for capital projects					5,307	5,307
Unrestricted					<u>(5,222,893)</u>	<u>(5,222,893)</u>
Total net position					<u>\$ 17,381,638</u>	<u>\$ 17,381,638</u>

Harris County Municipal Utility District No. 321
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended September 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 2,506,625	\$ 3,825,056	\$ -	\$ 6,331,681	\$ 27,470	\$ 6,359,151
Sales tax rebates	1,196,470	-	-	1,196,470	7,455	1,203,925
Water service	1,429,845	-	-	1,429,845	-	1,429,845
Sewer service	915,146	-	-	915,146	-	915,146
Penalty and interest	22,331	53,466	-	75,797	-	75,797
Tap connection and inspection fees	41,325	-	-	41,325	-	41,325
Investment income	218,239	251,158	2,786	472,183	-	472,183
Total Revenues	6,329,981	4,129,680	2,786	10,462,447	34,925	10,497,372
Expenditures/Expenses						
Service operations						
Purchased services	3,529,210	-	-	3,529,210	(130,289)	3,398,921
Professional fees	232,444	10,609	-	243,053	(2,825)	240,228
Contracted services	167,956	56,597	-	224,553	-	224,553
Utilities	59,497	-	-	59,497	-	59,497
Repairs and maintenance	226,691	-	-	226,691	2,090	228,781
Other expenditures	31,978	10,194	60	42,232	-	42,232
Capital outlay	737,281	-	860	738,141	(738,141)	-
Depreciation	-	-	-	-	522,020	522,020
Debt service						
Principal retirement	-	2,125,000	-	2,125,000	(2,125,000)	-
Interest and fees	-	1,651,850	-	1,651,850	48,609	1,700,459
Total Expenditures/Expenses	4,985,057	3,854,250	920	8,840,227	(2,423,536)	6,416,691
Excess of Revenues Over Expenditures	1,344,924	275,430	1,866	1,622,220	2,458,461	
Other Financing Sources (Uses)						
Interfund transfers in (out)	99,841	-	(99,841)	-	-	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,444,765	275,430	(97,975)	1,622,220	(1,622,220)	
Change in Net Position					4,080,681	4,080,681
Fund Balances/Net Position						
Beginning of year	3,997,625	4,163,454	103,282	8,264,361	-	13,300,957
End of year	<u>\$ 5,442,390</u>	<u>\$ 4,438,884</u>	<u>\$ 5,307</u>	<u>\$ 9,886,581</u>	<u>\$ -</u>	<u>\$ 17,381,638</u>

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

Harris County Municipal Utility District No. 321 (District) was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (Commission), effective December 10, 1986, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-Wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that engage in a single governmental program, such as the provision of water, wastewater, drainage, and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services, and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District, which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services, and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Harris County Municipal Utility District No. 321
Notes to Financial Statements
September 30, 2025

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District’s governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District’s Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures, and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues

Harris County Municipal Utility District No. 321
Notes to Financial Statements
September 30, 2025

reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services, and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes and penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2025 include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

Harris County Municipal Utility District No. 321
Notes to Financial Statements
September 30, 2025

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District’s fiscal year ended September 30, 2025, the 2024 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives is not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years
Land improvements	10–40 years
Park facilities	10–20 years

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

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

Harris County Municipal Utility District No. 321
Notes to Financial Statements
September 30, 2025

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	\$ 56,194,503
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	47,431
Amount due from others is not receivable in the current period and is not reported in the fund financial statements.	493,651
Sales tax rebates are not receivable in the current period and are not reported in the fund financial statements.	103,500
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the fund financial statements.	(131,882)
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	<u>(49,212,146)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ 7,495,057</u>

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

Change in fund balances.	\$ 1,622,220
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense and noncapitalized costs in the current period.	347,145
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	2,125,000

Harris County Municipal Utility District No. 321
Notes to Financial Statements
September 30, 2025

Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	\$ 34,925
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(48,609)</u>
Change in net position of governmental activities.	<u>\$ 4,080,681</u>

Note 2. Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At September 30, 2025, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies, and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts, and investment pools.

The District's investment policy may be more restrictive than the Texas Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. The District's investments in TexPool are reported at amortized cost.

The District also invests in TexSTAR, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Directors, made up of participants and representatives of the administrator and investment manager, has oversight of TexSTAR. The District's investments in TexSTAR are reported at amortized cost.

Harris County Municipal Utility District No. 321
Notes to Financial Statements
September 30, 2025

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

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 839,830	\$ 839,830	\$ -	\$ -	\$ -
TexSTAR	7,673,609	7,673,609	-	-	-
Totals	<u>\$ 8,513,439</u>	<u>\$ 8,513,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years, and interest rate indexed collateralized mortgage obligations. The external investment pools are presented as investments with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2025, the District’s investments in TexPool and TexSTAR were rated “AAAm” by Standard & Poor’s.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheet at September 30, 2025 as follows:

Carrying value	
Deposits	\$ 1,449,940
Investments	<u>8,513,439</u>
Total	<u>\$ 9,963,379</u>

Included in the following statement of net position captions:

Cash	\$ 493,756
Certificates of deposit	956,184
Short-term investments	<u>8,513,439</u>
Total	<u>\$ 9,963,379</u>

Investment Income

Investment income of \$472,183 for the year ended September 30, 2025 consisted of interest income.

Harris County Municipal Utility District No. 321
Notes to Financial Statements
September 30, 2025

Note 3. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2025 is presented as follows:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Additions</u>	<u>Retirements/ Reclassi- fications</u>	<u>Balances, End of Year</u>
Capital assets, non-depreciable				
Land and improvements	\$ 40,055,881	\$ -	\$ -	\$ 40,055,881
Construction in progress	214,704	16,381	(93,162)	137,923
Total capital assets non-depreciable	<u>40,270,585</u>	<u>16,381</u>	<u>(93,162)</u>	<u>40,193,804</u>
Capital assets, depreciable				
Water production and distribution distribution facilities	13,732,927	828,081	45,025	14,606,033
Wastewater collection and treatment facilities	5,722,025	21,019	-	5,743,044
Land improvements	46,359	-	-	46,359
Park facilities	193,219	-	-	193,219
Total capital assets, depreciable	<u>19,694,530</u>	<u>849,100</u>	<u>45,025</u>	<u>20,588,655</u>
Less accumulated depreciation				
Water production and distribution distribution facilities	(2,351,354)	(345,120)	-	(2,696,474)
Wastewater collection and treatment facilities	(1,673,237)	(164,148)	-	(1,837,385)
Land improvements	(12,362)	(3,091)	-	(15,453)
Park facilities	(28,983)	(9,661)	-	(38,644)
Total accumulated depreciation	<u>(4,065,936)</u>	<u>(522,020)</u>	<u>-</u>	<u>(4,587,956)</u>
Total governmental activities, net	<u>\$ 55,899,179</u>	<u>\$ 343,461</u>	<u>\$ (48,137)</u>	<u>\$ 56,194,503</u>

Note 4. Long-Term Liabilities

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

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Decreases</u>	<u>Balances, End of Year</u>	<u>Amounts Due in One Year</u>
Bonds payable				
General obligation bonds	\$ 52,560,000	\$ 2,125,000	\$ 50,435,000	\$ 2,185,000
Less discounts on bonds	1,276,423	53,569	1,222,854	-
Total governmental activities long-term liabilities	<u>\$ 51,283,577</u>	<u>\$ 2,071,431</u>	<u>\$ 49,212,146</u>	<u>\$ 2,185,000</u>

Harris County Municipal Utility District No. 321
Notes to Financial Statements
September 30, 2025

General Obligation Bonds

	Road Series 2015	Series 2017
Amounts outstanding, September 30, 2025	\$2,750,000	\$7,295,000
Interest rates	2.00% to 4.00%	2.50% to 3.50%
Maturity dates, serially beginning/ending	September 1, 2026/2036	September 1, 2026/2037
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2022	September 1, 2024
	Road Series 2017	Series 2018
Amounts outstanding, September 30, 2025	\$2,250,000	\$7,525,000
Interest rates	2.00% to 3.50%	3.00% to 5.00%
Maturity dates, serially beginning/ending	September 1, 2026/2040	September 1, 2026/2042
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2024	September 1, 2025
	Series 2018A	Series 2019
Amounts outstanding, September 30, 2025	\$4,390,000	\$4,345,000
Interest rates	4.00% to 4.25%	2.00% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2026/2043	September 1, 2026/2044
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2025	September 1, 2026
	Series 2020	Series 2021
Amounts outstanding, September 30, 2025	\$4,840,000	\$9,825,000
Interest rates	2.000% to 2.125%	2.00% to 2.50%
Maturity dates, serially beginning/ending	September 1, 2026/2045	September 1, 2026/2046
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2026	September 1, 2028

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Harris County Municipal Utility District No. 321
Notes to Financial Statements
September 30, 2025

	<u>Series 2022</u>	<u>Series 2023</u>
Amounts outstanding, September 30, 2025	\$4,380,000	\$2,835,000
Interest rates	3.00% to 4.00%	4.00% to 6.00%
Maturity dates, serially beginning/ending	September 1, 2026/2047	September 1, 2026/2048
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2028	September 1, 2029

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at September 30, 2025:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,185,000	\$ 1,582,588	\$ 3,767,588
2027	2,245,000	1,523,748	3,768,748
2028	2,320,000	1,459,315	3,779,315
2029	2,385,000	1,390,337	3,775,337
2030	2,460,000	1,318,000	3,778,000
2031–2035	13,455,000	5,412,533	18,867,533
2036–2040	13,270,000	3,229,049	16,499,049
2041–2045	10,330,000	1,172,726	11,502,726
2046–2048	1,785,000	102,044	1,887,044
Total	\$ 50,435,000	\$ 17,190,340	\$ 67,625,340

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

Water, sewer, and drainage facilities and refunding bonds voted	\$ 155,426,000
Water, sewer, and drainage facilities bonds sold	57,350,000
Recreational facilities and refunding bonds voted	31,950,000
Recreational facilities bonds sold	4,760,000
Road facilities and refunding bonds voted	35,500,000
Road facilities bonds sold	8,535,000
Refunding bonds voted	35,326,000
Refunding bond authorization used	615,000

Note 5. Significant Bond Resolutions and Commission Requirements

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended September 30, 2025, the District levied an ad valorem utility debt service tax at the rate of \$0.4850 per \$100 of assessed valuation, which resulted in a tax levy of \$3,402,973 on the taxable valuation of \$701,643,932 for the 2024 tax year. The interest and principal requirements paid from the tax revenues and available resources were \$3,184,162.

Harris County Municipal Utility District No. 321
Notes to Financial Statements
September 30, 2025

In addition, during the year ended September 30, 2025, the District levied an ad valorem road debt service tax at the rate of \$0.0650 per \$100 of assessed valuation, which resulted in a tax levy of \$456,068 on the taxable valuation of \$701,643,932 for the 2024 tax year. The interest and principal requirements paid from the tax revenues and available resources were \$582,938.

Note 6. Maintenance Taxes

At an election held January 16, 1988, voters authorized a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation on all property within the District subject to taxation. At an election held May 8, 2010, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation, in lieu of the election held January 16, 1988. During the year ended September 30, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.3600 per \$100 of assessed valuation, which resulted in a tax levy of \$2,525,918 on the taxable valuation of \$701,643,932 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held May 8, 2010, voters authorized a road facilities maintenance tax not to exceed \$0.25 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended September 30, 2025, the District did not levy an ad valorem road facilities maintenance tax.

Note 7. 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 participates along with other entities in the Texas Municipal League's Intergovernmental Risk Pool (Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The District has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 8. Strategic Partnership Agreement

Effective December 2, 2002, the District and the City of Houston (City) entered into a Strategic Partnership Agreement (Agreement) under which the City annexed a tract of land (tract) within the boundaries of the District for the limited purposes of applying certain of the City's Planning, Development, Health, and Safety Ordinances. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract to the District. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer, and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District until: (i) at least 90% of the District's water, sewer, and drainage facilities have been developed or 30 years, whichever comes first; and (ii) the developer(s) developing water, sewer, and drainage facilities have been reimbursed by the District to the maximum extent permitted by the rules of the Commission, or the City assumes any obligation for such reimbursement by the District under such rules. In no event will the date that the City may exercise its option to annex the District for full purposes be more than 30 years from the effective date of the Agreement. During the current year, the District recorded \$1,203,925 in revenues related to the Agreement.

Note 9. Water Supply and Disposal Agreements

As of December 13, 2010, the District and Harris County Municipal Utility District No. 406 (District No. 406) entered into a 40-year Sanitary Sewer Service Agreement (Sanitary Agreement) with the City, which supersedes the provisions in the District's previous agreement with the City related to wastewater services. Pursuant to the terms of the new Sanitary Agreement, the City will provide all sanitary sewer collection and treatment services to the District and District No. 406 for up to 1,600,000 gallons per day at fees based on the City's wholesale wastewater rate per thousand gallons. As of September 30, 2025, the rate was \$8.44 per thousand gallons. The Sanitary Agreement also requires the District and District No. 406 to construct certain sanitary sewer collection facilities to deliver waste to the City at certain agreed-upon points of discharge for collection and treatment. In addition, the First Amendment to the Sanitary Agreement, dated December 19, 2018, added provisions necessary for enforcement of the City's program for the pretreatment of industrial waste within the districts.

Additionally, as of July 20, 2011, the District and District No. 406 also entered into a 40-year Treated Water Supply Contract (Contract) with the City. The Contract, along with the Sanitary Agreement, fully supersedes the District's previous agreement with the City. Pursuant to the terms of the Contract, the City will sell and deliver the District treated water at the rate set by ordinance by the City for contract treated water customers. As of September 30, 2025, the rate was \$4.57 per thousand gallons, plus \$1.19 per thousand gallons over the minimum requirement. Under the terms of the Contract, the District and District No. 406 have previously paid impact fees to the City to reserve treated water supply capacity of 2,000,000 gallons per day. The Contract also requires the District and District No. 406 to construct certain water storage and pressurization facilities to receive water from the City at certain agreed-upon points of connection. On January 20, 2017, the Contract was amended to provide that the District and District No. 406 may reserve an additional 2,200,000 gallons per day of treated water supply by paying impact fees to the City and/or constructing certain facilities on behalf of the City. The District and District No. 406 reserved such additional capacity during the prior year.

Note 10. Due From Others

Beginning in 2019, the District incurred certain surcharges for high-strength industrial waste from the City. The District has billed its customer for these surcharges in the amount of \$441,830.

Note 11. Joint Facilities Agreement

Effective August 20, 2013, the District and District No. 406 entered into a Joint Facilities Agreement (Joint Agreement), which sets forth the general terms and conditions pursuant to which the districts share in the joint financing, operation, and use of certain water, sanitary sewer, storm drainage and detention, and road facilities that serve the areas within both districts (Regional Facilities). Under the Joint Agreement, each district is obligated to pay its pro rata share of the cost of designing and constructing each Regional Facility. District No. 406 operates the Regional Facilities (other than road facilities, which are conveyed to Harris County following construction) for the benefit of both districts. However, the Joint Agreement requires each district to pay its pro rata share of the operation and maintenance expenses associated with the Regional Facilities. The Joint Agreement remains in effect unless terminated by mutual written agreement of the District and District No. 406. The Joint Agreement was amended and restated effective March 21, 2017. The District has deposited \$100,000 with District No. 406 as an operating reserve. During the year ended September 30, 2025, the District recorded expenses under the Joint Agreement of \$3,398,921.

Note 12. Concentrations

As of September 30, 2025, for the January 1, 2025 assessed property tax valuation, one taxpayer owns approximately 33% of the District's total assessed value.

Required Supplementary Information

Harris County Municipal Utility District No. 321
Budgetary Comparison Schedule – General Fund
Year Ended September 30, 2025

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 2,017,050	\$ 2,017,050	\$ 2,506,625	\$ 489,575
Sales tax rebates	1,000,000	1,000,000	1,196,470	196,470
Water service	2,389,700	1,800,000	1,429,845	(370,155)
Sewer service	750,000	750,000	915,146	165,146
Penalty and interest	5,000	5,000	22,331	17,331
Tap connection and inspection fees	30,000	30,000	41,325	11,325
Investment income	50,000	50,000	218,239	168,239
Other income	1,000	1,000	-	(1,000)
Total Revenues	6,242,750	5,653,050	6,329,981	676,931
Expenditures				
Service operations				
Purchased services	2,716,700	2,716,700	3,529,210	(812,510)
Professional fees	203,000	203,000	232,444	(29,444)
Contracted services	133,000	133,000	167,956	(34,956)
Utilities	40,000	40,000	59,497	(19,497)
Repairs and maintenance	93,000	93,000	226,691	(133,691)
Other expenditures	60,700	60,700	31,978	28,722
Capital outlay	1,516,980	1,366,170	737,281	628,889
Total Expenditures	4,763,380	4,612,570	4,985,057	(372,487)
Excess of Revenues Over Expenditures	1,479,370	1,040,480	1,344,924	304,444
Other Financing Sources				
Interfund transfers in	-	-	99,841	99,841
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,479,370	1,040,480	1,444,765	404,285
Fund Balance, Beginning of Year	3,997,625	3,997,625	3,997,625	-
Fund Balance, End of Year	\$ 5,476,995	\$ 5,038,105	\$ 5,442,390	\$ 404,285

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2025.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

**Harris County Municipal Utility District No. 321
Other Schedules Included Within This Report
September 30, 2025**

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11–23
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedules of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel, and Consultants

Harris County Municipal Utility District No. 321
Schedule of Services and Rates
Year Ended September 30, 2025

1. Services provided by the District

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>	
Water:	\$ 50.00	10,000	N	\$ 3.70	10,001 to	20,000
				\$ 3.80	20,001 to	30,000
				\$ 3.90	30,001 to	40,000
				\$ 4.00	40,001 to	No Limit
Wastewater:	\$ 55.00	10,000	N	\$ 5.25	10,001 to	20,000
				\$ 5.35	20,001 to	30,000
				\$ 5.45	30,001 to	40,000
				\$ 5.55	40,001 to	No Limit

Does the District employ winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage (including fees): Water \$ 50.00 Wastewater \$ 55.00

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	8	8	x1.0	8
1"	11	11	x2.5	28
1 1/2"	7	7	x5.0	35
2"	58	58	x8.0	464
3"	1	1	x15.0	15
4"	5	4	x25.0	100
6"	11	11	x50.0	550
8"	18	18	x80.0	1,440
10"	5	5	x115.0	575
Total water	124	123		3,215
Total wastewater	53	52	x1.0	52

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

Gallons pumped into the system:	342,534
Gallons billed to customers:	342,534
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

**Harris County Municipal Utility District No. 321
Schedule of General Fund Expenditures
Year Ended September 30, 2025**

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	28,100	
Legal		145,802	
Engineering		58,542	
Financial advisor		-	232,444
		<u> </u>	
Purchased Services for Resale			
Bulk water and wastewater service purchases			3,529,210
Regional Water Fee			-
Contracted Services			
Bookkeeping		20,982	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		146,974	167,956
		<u> </u>	
Utilities			59,497
Repairs and Maintenance			226,691
Administrative Expenditures			
Directors' fees		9,044	
Office supplies		2,372	
Insurance		6,492	
Other administrative expenditures		14,070	31,978
		<u> </u>	
Capital Outlay			
Capitalized assets		735,191	
Expenditures not capitalized		2,090	737,281
		<u> </u>	
Tap Connection Expenditures			-
Solid Waste Disposal			-
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			-
			<u> </u>
Total Expenditures			<u><u>\$</u> 4,985,057</u>

**Harris County Municipal Utility District No. 321
Schedule of Temporary Investments
September 30, 2025**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
Certificates of Deposit				
No. 6002400332	4.15%	01/19/26	\$ 238,496	\$ 1,044
No. 6000054418	4.30%	11/09/25	238,129	523
No. 51207490	4.50%	12/10/25	238,579	618
TexPool	4.18%	Demand	160,053	-
TexSTAR	4.15%	Demand	<u>4,306,925</u>	<u>-</u>
			<u>5,182,182</u>	<u>2,185</u>
Debt Service Fund				
Certificate of Deposit				
No. 6002400972	4.15%	03/15/26	240,980	411
TexPool	4.18%	Demand	676,978	-
TexSTAR	4.15%	Demand	674,682	-
TexSTAR	4.15%	Demand	<u>2,692,002</u>	<u>-</u>
			<u>4,284,642</u>	<u>411</u>
Capital Projects Fund				
TexPool	4.18%	Demand	<u>2,799</u>	<u>-</u>
Totals			<u>\$ 9,469,623</u>	<u>\$ 2,596</u>

**Harris County Municipal Utility District No. 321
 Analysis of Taxes Levied and Receivable
 Year Ended September 30, 2025**

	<u>Maintenance Taxes</u>	<u>Road Debt Service Taxes</u>	<u>Utility Debt Service Taxes</u>
Receivable, Beginning of Year	\$ 6,621	\$ 2,064	\$ 11,276
Additions and corrections to prior years' taxes	<u>(7,752)</u>	<u>(2,703)</u>	<u>(15,353)</u>
Adjusted Receivable, Beginning of Year	<u>(1,131)</u>	<u>(639)</u>	<u>(4,077)</u>
2024 Original Tax Levy	2,475,290	446,927	3,334,766
Additions and corrections	<u>50,628</u>	<u>9,141</u>	<u>68,207</u>
Adjusted tax levy	<u>2,525,918</u>	<u>456,068</u>	<u>3,402,973</u>
Total to Be Accounted For	2,524,787	455,429	3,398,896
Tax (collections) repayments:			
Current year	(2,509,920)	(453,179)	(3,381,420)
Prior years	<u>3,295</u>	<u>1,510</u>	<u>8,033</u>
Receivable, End of Year	<u>\$ 18,162</u>	<u>\$ 3,760</u>	<u>\$ 25,509</u>
Receivable, by Years			
2024	\$ 15,998	\$ 2,889	\$ 21,553
2023	669	178	1,097
2022	747	277	1,549
2021	305	176	780
2020	328	93	247
2019	102	136	248
2018	2	5	16
2017	3	3	6
2016	3	3	5
2015	2	-	5
2014	<u>3</u>	<u>-</u>	<u>3</u>
Receivable, End of Year	<u>\$ 18,162</u>	<u>\$ 3,760</u>	<u>\$ 25,509</u>

**Harris County Municipal Utility District No. 321
 Analysis of Taxes Levied and Receivable
 Year Ended September 30, 2025**

(Continued)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property Valuations				
Land	\$ 120,544,496	\$ 119,930,902	\$ 118,762,018	\$ 122,628,689
Improvements	356,364,411	327,025,473	302,779,140	259,957,432
Personal property	303,369,894	296,583,199	250,699,949	198,810,722
Exemptions	<u>(78,634,869)</u>	<u>(72,163,024)</u>	<u>(62,957,995)</u>	<u>(59,599,230)</u>
Total Property Valuations	<u>\$ 701,643,932</u>	<u>\$ 671,376,550</u>	<u>\$ 609,283,112</u>	<u>\$ 521,797,613</u>
Tax Rates per \$100 Valuation				
Utility debt service tax rates	\$ 0.4850	\$ 0.5250	\$ 0.5600	\$ 0.5750
Road debt service tax rates	0.0650	0.0850	0.1000	0.1300
Maintenance tax rates*	<u>0.3600</u>	<u>0.3200</u>	<u>0.2700</u>	<u>0.2250</u>
Total Tax Rates per \$100 Valuation	<u>\$ 0.9100</u>	<u>\$ 0.9300</u>	<u>\$ 0.9300</u>	<u>\$ 0.9300</u>
Tax Levy	<u>\$ 6,384,959</u>	<u>\$ 6,243,802</u>	<u>\$ 5,666,333</u>	<u>\$ 4,852,718</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.75 on May 8, 2010, consisting of \$1.50 for general operations and maintenance and \$0.25 for road maintenance. The District has never levied a road maintenance tax.

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

**Harris County Municipal Utility District No. 321
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2025**

Due During Fiscal Years Ending September 30	Road Series 2015		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 250,000	\$ 101,563	\$ 351,563
2027	250,000	94,062	344,062
2028	250,000	86,563	336,563
2029	250,000	77,813	327,813
2030	250,000	68,750	318,750
2031	250,000	59,375	309,375
2032	250,000	50,000	300,000
2033	250,000	40,000	290,000
2034	250,000	30,000	280,000
2035	250,000	20,000	270,000
2036	250,000	10,000	260,000
Totals	\$ 2,750,000	\$ 638,126	\$ 3,388,126

**Harris County Municipal Utility District No. 321
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2025**

(Continued)

Due During Fiscal Years Ending September 30	Series 2017		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 625,000	\$ 231,106	\$ 856,106
2027	625,000	215,481	840,481
2028	625,000	196,731	821,731
2029	625,000	177,981	802,981
2030	625,000	159,231	784,231
2031	625,000	140,481	765,481
2032	625,000	120,950	745,950
2033	625,000	100,639	725,639
2034	625,000	79,545	704,545
2035	625,000	58,450	683,450
2036	625,000	36,575	661,575
2037	420,000	14,700	434,700
Totals	\$ 7,295,000	\$ 1,531,870	\$ 8,826,870

Harris County Municipal Utility District No. 321
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2025

(Continued)

Due During Fiscal Years Ending September 30	Road Series 2017		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 150,000	\$ 70,687	\$ 220,687
2027	150,000	67,313	217,313
2028	150,000	63,563	213,563
2029	150,000	59,437	209,437
2030	150,000	54,937	204,937
2031	150,000	50,437	200,437
2032	150,000	45,750	195,750
2033	150,000	41,062	191,062
2034	150,000	36,188	186,188
2035	150,000	31,313	181,313
2036	150,000	26,250	176,250
2037	150,000	21,000	171,000
2038	150,000	15,750	165,750
2039	150,000	10,500	160,500
2040	150,000	5,250	155,250
Totals	\$ 2,250,000	\$ 599,437	\$ 2,849,437

**Harris County Municipal Utility District No. 321
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2025**

(Continued)

Due During Fiscal Years Ending September 30	Series 2018		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 175,000	\$ 266,532	\$ 441,532
2027	200,000	261,281	461,281
2028	225,000	255,281	480,281
2029	250,000	248,531	498,531
2030	275,000	240,407	515,407
2031	300,000	231,468	531,468
2032	325,000	221,719	546,719
2033	350,000	210,750	560,750
2034	375,000	198,938	573,938
2035	400,000	185,812	585,812
2036	400,000	171,813	571,813
2037	500,000	157,812	657,812
2038	750,000	139,688	889,688
2039	750,000	112,500	862,500
2040	750,000	84,375	834,375
2041	750,000	56,250	806,250
2042	750,000	28,125	778,125
Totals	\$ 7,525,000	\$ 3,071,282	\$ 10,596,282

**Harris County Municipal Utility District No. 321
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2025**

(Continued)

Due During Fiscal Years Ending September 30	Series 2018A		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 155,000	\$ 178,919	\$ 333,919
2027	165,000	172,718	337,718
2028	170,000	166,119	336,119
2029	180,000	159,319	339,319
2030	190,000	152,119	342,119
2031	200,000	144,518	344,518
2032	210,000	136,519	346,519
2033	220,000	128,119	348,119
2034	230,000	119,319	349,319
2035	240,000	110,118	350,118
2036	255,000	100,519	355,519
2037	265,000	90,319	355,319
2038	280,000	79,719	359,719
2039	295,000	68,518	363,518
2040	310,000	56,350	366,350
2041	325,000	43,563	368,563
2042	340,000	29,750	369,750
2043	360,000	15,300	375,300
Totals	<u>\$ 4,390,000</u>	<u>\$ 1,951,825</u>	<u>\$ 6,341,825</u>

**Harris County Municipal Utility District No. 321
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2025**

(Continued)

Due During Fiscal Years Ending September 30	Series 2019		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 150,000	\$ 121,600	\$ 271,600
2027	155,000	118,600	273,600
2028	165,000	115,113	280,113
2029	170,000	110,987	280,987
2030	180,000	106,738	286,738
2031	185,000	102,237	287,237
2032	195,000	97,613	292,613
2033	205,000	92,493	297,493
2034	215,000	87,113	302,113
2035	220,000	81,200	301,200
2036	230,000	75,150	305,150
2037	245,000	68,250	313,250
2038	255,000	60,900	315,900
2039	265,000	53,250	318,250
2040	275,000	45,300	320,300
2041	290,000	37,050	327,050
2042	300,000	28,350	328,350
2043	315,000	19,350	334,350
2044	330,000	9,900	339,900
Totals	\$ 4,345,000	\$ 1,431,194	\$ 5,776,194

**Harris County Municipal Utility District No. 321
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2025**

(Continued)

Due During Fiscal Years Ending September 30	Series 2020		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 155,000	\$ 100,763	\$ 255,763
2027	160,000	97,662	257,662
2028	170,000	94,463	264,463
2029	175,000	91,063	266,063
2030	185,000	87,562	272,562
2031	195,000	83,863	278,863
2032	200,000	79,962	279,962
2033	210,000	75,963	285,963
2034	220,000	71,762	291,762
2035	230,000	67,363	297,363
2036	240,000	62,475	302,475
2037	250,000	57,375	307,375
2038	260,000	52,063	312,063
2039	275,000	46,537	321,537
2040	285,000	40,693	325,693
2041	300,000	34,638	334,638
2042	310,000	28,262	338,262
2043	325,000	21,675	346,675
2044	340,000	14,769	354,769
2045	355,000	7,544	362,544
Totals	\$ 4,840,000	\$ 1,216,457	\$ 6,056,457

Harris County Municipal Utility District No. 321
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2025

(Continued)

Due During Fiscal Years Ending September 30	Series 2021		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 325,000	\$ 218,006	\$ 543,006
2027	335,000	211,506	546,506
2028	350,000	204,807	554,807
2029	360,000	197,806	557,806
2030	370,000	190,606	560,606
2031	385,000	183,206	568,206
2032	400,000	175,507	575,507
2033	415,000	167,506	582,506
2034	425,000	159,206	584,206
2035	440,000	150,706	590,706
2036	460,000	141,906	601,906
2037	475,000	132,706	607,706
2038	490,000	122,612	612,612
2039	505,000	112,200	617,200
2040	525,000	100,207	625,207
2041	545,000	87,737	632,737
2042	565,000	74,794	639,794
2043	580,000	61,375	641,375
2044	605,000	46,875	651,875
2045	625,000	31,750	656,750
2046	645,000	16,125	661,125
Totals	\$ 9,825,000	\$ 2,787,149	\$ 12,612,149

**Harris County Municipal Utility District No. 321
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2025**

(Continued)

Due During Fiscal Years Ending September 30	Series 2022		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 135,000	\$ 170,075	\$ 305,075
2027	140,000	165,687	305,687
2028	145,000	161,138	306,138
2029	150,000	156,062	306,062
2030	155,000	150,813	305,813
2031	160,000	145,387	305,387
2032	165,000	139,388	304,388
2033	175,000	133,200	308,200
2034	180,000	126,200	306,200
2035	185,000	119,000	304,000
2036	190,000	111,600	301,600
2037	200,000	104,000	304,000
2038	205,000	96,000	301,000
2039	210,000	87,800	297,800
2040	220,000	79,400	299,400
2041	225,000	70,600	295,600
2042	235,000	61,600	296,600
2043	245,000	52,200	297,200
2044	250,000	42,400	292,400
2045	260,000	32,400	292,400
2046	270,000	22,000	292,000
2047	280,000	11,200	291,200
Totals	\$ 4,380,000	\$ 2,238,150	\$ 6,618,150

**Harris County Municipal Utility District No. 321
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2025**

(Continued)

Due During Fiscal Years Ending September 30	Series 2023		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 65,000	\$ 123,337	\$ 188,337
2027	65,000	119,438	184,438
2028	70,000	115,537	185,537
2029	75,000	111,338	186,338
2030	80,000	106,837	186,837
2031	85,000	103,638	188,638
2032	90,000	100,237	190,237
2033	95,000	96,638	191,638
2034	100,000	92,837	192,837
2035	105,000	88,838	193,838
2036	110,000	84,637	194,637
2037	115,000	80,238	195,238
2038	120,000	75,637	195,637
2039	130,000	70,838	200,838
2040	135,000	65,637	200,637
2041	145,000	60,069	205,069
2042	150,000	54,088	204,088
2043	160,000	47,712	207,712
2044	170,000	40,913	210,913
2045	180,000	33,687	213,687
2046	185,000	25,813	210,813
2047	195,000	17,718	212,718
2048	210,000	9,188	219,188
Totals	\$ 2,835,000	\$ 1,724,850	\$ 4,559,850

**Harris County Municipal Utility District No. 321
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2025**

(Continued)

<u>Due During Fiscal Years Ending September 30</u>	<u>Annual Requirements For All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total Principal and Interest Due</u>
2026	\$ 2,185,000	\$ 1,582,588	\$ 3,767,588
2027	2,245,000	1,523,748	3,768,748
2028	2,320,000	1,459,315	3,779,315
2029	2,385,000	1,390,337	3,775,337
2030	2,460,000	1,318,000	3,778,000
2031	2,535,000	1,244,610	3,779,610
2032	2,610,000	1,167,645	3,777,645
2033	2,695,000	1,086,370	3,781,370
2034	2,770,000	1,001,108	3,771,108
2035	2,845,000	912,800	3,757,800
2036	2,910,000	820,925	3,730,925
2037	2,620,000	726,400	3,346,400
2038	2,510,000	642,369	3,152,369
2039	2,580,000	562,143	3,142,143
2040	2,650,000	477,212	3,127,212
2041	2,580,000	389,907	2,969,907
2042	2,650,000	304,969	2,954,969
2043	1,985,000	217,612	2,202,612
2044	1,695,000	154,857	1,849,857
2045	1,420,000	105,381	1,525,381
2046	1,100,000	63,938	1,163,938
2047	475,000	28,918	503,918
2048	210,000	9,188	219,188
Totals	<u>\$ 50,435,000</u>	<u>\$ 17,190,340</u>	<u>\$ 67,625,340</u>

Harris County Municipal Utility District No. 321
Changes in Long-Term Bonded Debt
Year Ended September 30, 2025

Bond

	Road Series 2015	Series 2017	Road Series 2017	Series 2018
Interest rates	2.00% to 4.00%	2.50% to 3.50%	2.00% to 3.50%	3.00% to 5.00%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	September 1, 2026/2036	September 1, 2026/2037	September 1, 2026/2040	September 1, 2026/2042
Bonds outstanding, beginning of current year	\$ 3,000,000	\$ 7,920,000	\$ 2,400,000	\$ 7,675,000
Retirements, principal	250,000	625,000	150,000	150,000
Bonds outstanding, end of current year	<u>\$ 2,750,000</u>	<u>\$ 7,295,000</u>	<u>\$ 2,250,000</u>	<u>\$ 7,525,000</u>
Interest paid during current year	<u>\$ 109,063</u>	<u>\$ 246,731</u>	<u>\$ 73,875</u>	<u>\$ 274,031</u>

Paying agent's name and address

- Series 2015Rd** – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2017** – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2017Rd** – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2018** – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2018A** – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2019** – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2020** – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2021** – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2022** – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2023** – The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority

	Water, Sewer, and Drainage and Refunding Bonds	Recreational and Refunding Bonds	Road and Refunding Bonds	Refunding Bonds
Amount authorized by voters	\$ 155,426,000	\$ 31,950,000	\$ 35,500,000	\$ 35,326,000
Amount issued	\$ 57,350,000	\$ 4,760,000	\$ 8,535,000	\$ 615,000
Remaining to be issued	<u>\$ 98,076,000</u>	<u>\$ 27,190,000</u>	<u>\$ 26,965,000</u>	<u>\$ 34,711,000</u>

Debt service fund cash and temporary investment balances as of September 30, 2025: \$ 4,463,682

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,940,232

Issues

Series 2018A	Series 2019	Series 2020	Series 2021	Series 2022	Series 2023	Totals
4.00% to 4.25%	2.00% to 3.00%	2.000% to 2.125%	2.00% to 2.50%	3.00% to 4.00%	4.00% to 6.00%	
March 1/ September 1						
September 1, 2026/2043	September 1, 2026/2044	September 1, 2026/2045	September 1, 2026/2046	September 1, 2026/2047	September 1, 2026/2048	
\$ 4,540,000	\$ 4,490,000	\$ 4,990,000	\$ 10,140,000	\$ 4,510,000	\$ 2,895,000	\$ 52,560,000
150,000	145,000	150,000	315,000	130,000	60,000	2,125,000
<u>\$ 4,390,000</u>	<u>\$ 4,345,000</u>	<u>\$ 4,840,000</u>	<u>\$ 9,825,000</u>	<u>\$ 4,380,000</u>	<u>\$ 2,835,000</u>	<u>\$ 50,435,000</u>
<u>\$ 184,919</u>	<u>\$ 124,500</u>	<u>\$ 103,762</u>	<u>\$ 224,306</u>	<u>\$ 173,975</u>	<u>\$ 126,938</u>	<u>\$ 1,642,100</u>

Harris County Municipal Utility District No. 321
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended September 30,

	Amounts				
	2025	2024	2023	2022	2021
General Fund					
Revenues					
Property taxes	\$ 2,506,625	\$ 2,089,465	\$ 1,616,577	\$ 1,158,705	\$ 2,104,940
Sales tax rebates	1,196,470	1,172,173	1,197,085	1,237,485	1,178,909
Water service	1,429,845	1,254,286	1,293,598	1,176,981	1,155,945
Sewer service	915,146	773,592	872,130	756,764	1,420,898
Penalty and interest	22,331	11,957	46,972	63,428	19,564
Tap connection and inspection fees	41,325	87,747	527,846	104,784	41,600
Investment income	218,239	190,292	166,861	34,170	6,258
Other income	-	3,276	38,356	35,963	35,269
Total Revenues	6,329,981	5,582,788	5,759,425	4,568,280	5,963,383
Expenditures					
Service operations					
Purchased services	3,529,210	4,104,461	5,333,343	2,988,827	2,387,879
Professional fees	232,444	192,387	267,938	246,115	199,820
Contracted services	167,956	139,546	55,828	53,883	45,115
Utilities	59,497	53,407	41,404	28,922	24,005
Repairs and maintenance	226,691	153,419	55,106	177,978	154,457
Other expenditures	31,978	34,996	34,594	44,032	34,768
Tap connections	-	11,055	278,519	41,468	3,500
Capital outlay	737,281	583,571	1,728,072	1,845,733	1,020,285
Debt service, debt issuance costs	-	-	-	36,400	39,755
Total Expenditures	4,985,057	5,272,842	7,794,804	5,463,358	3,909,584
Excess (Deficiency) of Revenues Over Expenditures	1,344,924	309,946	(2,035,379)	(895,078)	2,053,799
Other Financing Sources (Uses)					
Interfund transfers in (out)	99,841	-	-	(34,169)	31,654
Insurance proceeds	-	228,628	-	-	-
Overpayment reimbursement	-	-	-	(1,330,535)	-
Return of capital	-	-	-	182,373	743,057
Total Other Financing Sources (Uses)	99,841	228,628	-	(1,182,331)	774,711
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,444,765	538,574	(2,035,379)	(2,077,409)	2,828,510
Fund Balance, Beginning of Year	3,997,625	3,459,051	5,494,430	7,571,839	4,743,329
Fund Balance, End of Year	\$ 5,442,390	\$ 3,997,625	\$ 3,459,051	\$ 5,494,430	\$ 7,571,839
Total Active Retail Water Connections	123	123	119	105	101
Total Active Retail Wastewater Connections	52	51	52	70	67

Percent of Fund Total Revenues

<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
39.6 %	37.4 %	28.1 %	25.4 %	35.3 %
18.9	21.0	20.8	27.1	19.8
22.6	22.5	22.4	25.8	19.4
14.5	13.8	15.1	16.5	23.8
0.4	0.2	0.8	1.4	0.3
0.6	1.6	9.2	2.3	0.7
3.4	3.4	2.9	0.7	0.1
-	0.1	0.7	0.8	0.6
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
55.8	73.5	92.6	65.4	40.0
3.7	3.4	4.6	5.4	3.4
2.6	2.5	1.0	1.2	0.7
0.9	1.0	0.7	0.6	0.4
3.6	2.7	1.0	3.9	2.6
0.5	0.6	0.6	1.0	0.6
-	0.2	4.8	0.9	0.1
11.7	10.5	30.0	40.4	17.1
-	-	-	0.8	0.7
<u>78.8</u>	<u>94.4</u>	<u>135.3</u>	<u>119.6</u>	<u>65.6</u>
<u>21.2 %</u>	<u>5.6 %</u>	<u>(35.3) %</u>	<u>(19.6) %</u>	<u>34.4 %</u>

Harris County Municipal Utility District No. 321
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended September 30,

	Amounts				
	2025	2024	2023	2022	2021
Debt Service Fund					
Revenues					
Property taxes	\$ 3,825,056	\$ 3,954,155	\$ 3,947,425	\$ 3,646,748	\$ 2,208,411
Penalty and interest	53,466	15,008	4,832	7,476	30,192
Investment income	251,158	292,159	219,723	26,102	2,353
Other income	-	-	-	-	3,381
Total Revenues	<u>4,129,680</u>	<u>4,261,322</u>	<u>4,171,980</u>	<u>3,680,326</u>	<u>2,244,337</u>
Expenditures					
Current					
Professional fees	10,609	7,350	2,770	762	10,537
Contracted services	56,597	63,386	50,800	42,425	39,215
Other expenditures	10,194	12,344	17,108	12,823	14,881
Debt service					
Principal retirement	2,125,000	2,050,000	1,945,000	1,145,000	845,000
Interest and fees	1,651,850	1,702,051	1,635,269	1,447,116	1,246,703
Total Expenditures	<u>3,854,250</u>	<u>3,835,131</u>	<u>3,650,947</u>	<u>2,648,126</u>	<u>2,156,336</u>
Excess of Revenues Over Expenditures	275,430	426,191	521,033	1,032,200	88,001
Fund Balance, Beginning of Year	<u>4,163,454</u>	<u>3,737,263</u>	<u>3,216,230</u>	<u>2,184,030</u>	<u>2,096,029</u>
Fund Balance, End of Year	<u>\$ 4,438,884</u>	<u>\$ 4,163,454</u>	<u>\$ 3,737,263</u>	<u>\$ 3,216,230</u>	<u>\$ 2,184,030</u>

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
92.6 %	92.8 %	94.6 %	99.1 %	98.4 %
1.3	0.3	0.1	0.2	1.3
6.1	6.9	5.3	0.7	0.1
-	-	-	-	0.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.3	0.2	0.1	0.0	0.5
1.4	1.5	1.2	1.2	1.7
0.2	0.3	0.4	0.3	0.7
51.4	48.1	46.6	31.1	37.7
<u>40.0</u>	<u>39.9</u>	<u>39.2</u>	<u>39.3</u>	<u>55.5</u>
<u>93.3</u>	<u>90.0</u>	<u>87.5</u>	<u>71.9</u>	<u>96.1</u>
<u>6.7 %</u>	<u>10.0 %</u>	<u>12.5 %</u>	<u>28.1 %</u>	<u>3.9 %</u>

**Harris County Municipal Utility District No. 321
Board Members, Key Personnel, and Consultants
Year Ended September 30, 2025**

Complete District mailing address:	Harris County Municipal Utility District No. 321 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	<u>August 21, 2024</u>
Limit on fees of office that a director may receive during a fiscal year:	<u>\$ 7,200</u>

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
Kimberly Olsen	Elected 05/24- 05/28	\$ 2,414	\$ 330	President
Jeff Stein	Elected 05/22- 05/26	2,210	34	Vice President
Brad Beauchamp	Elected 05/22- 05/26	1,547	38	Secretary
John Vassar	Elected 05/24- 05/28	884	103	Assistant Vice President
Dane Turner	Appointed 08/24- 05/28	1,989	-	Assistant Secretary

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

**Harris County Municipal Utility District No. 321
Board Members, Key Personnel, and Consultants
Year Ended September 30, 2025**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	10/04/07	\$ 92,085	General Counsel
BGE, Inc.	10/04/07	120,629	Engineer
Bob Leared Interests	08/21/89	22,272	Tax Assessor/ Collector
Forvis Mazars, LLP	08/21/90	28,100	Auditor
Harris Central Appraisal District	Legislative Action	46,538	Appraiser
Municipal District Services	11/01/23	334,021	Operator
Myrtle Cruz, Inc.	11/16/89	23,070	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	05/19/97	10,609	Delinquent Tax Attorney
Post Oak Municipal Advisors	04/03/18	-	Financial Advisor
Investment Officer			
Mary Jarmon	02/17/15	N/A	Bookkeeper