

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2025

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 401
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. 401 (the "District") as of and for the year ended July 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 the District as of July 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change Due to Prior Period Adjustment

As discussed in Note 16 to the financial statements, the District corrected an error related to developer liabilities and capital assets, resulting in the restatement of the District's government-wide financial statements as of and for the fiscal year ended July 31, 2024. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Harris County Municipal Utility District No. 401

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

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

November 17, 2025

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

Management’s discussion and analysis of the financial performance of Harris County Municipal Utility District No. 401 (the “District”) provides an overview of the District’s financial activities for the year ended July 31, 2025. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$704,009 as of July 31, 2025.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water, wastewater and drainage services.

The following is a comparative analysis of government-wide changes in net position:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

| | Summary of Changes in the Statement of Net Position | | |
|---|---|-----------------|----------------------------------|
| | 2025 | 2024* | Change Positive (Negative) |
| Current and Other Assets | \$ 11,613,206 | \$ 11,141,470 | \$ 471,736 |
| Capital Assets (Net of Accumulated Depreciation) | 23,411,928 | 23,830,334 | (418,406) |
| Total Assets | \$ 35,025,134 | \$ 34,971,804 | \$ 53,330 |
| Deferred Outflows of Resources | \$ 328,581 | \$ 374,574 | \$ (45,993) |
| Bonds Payable | \$ 33,863,557 | \$ 35,445,987 | \$ 1,582,430 |
| Other Liabilities | 786,149 | 751,897 | (34,252) |
| Total Liabilities | \$ 34,649,706 | \$ 36,197,884 | \$ 1,548,178 |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ (9,528,482) | \$ (10,510,638) | \$ 982,156 |
| Restricted | 4,325,604 | 4,248,751 | 76,853 |
| Unrestricted | 5,906,887 | 5,410,381 | 496,506 |
| Total Net Position | \$ 704,009 | \$ (851,506) | \$ 1,555,515 |

*

The following table provides a summary of the District's operations for the years ending July 31, 2025, and July 31, 2024. The District's net position increased by \$1,555,515, accounting for a 182.7% increase in net position. Comparative data is presented below.

| | Summary of Changes in the Statement of Activities | | |
|---------------------------------|---|--------------|----------------------------------|
| | 2025 | 2024* | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | \$ 3,954,891 | \$ 4,018,570 | \$ (63,679) |
| Charges for Services | 1,543,039 | 1,778,950 | (235,911) |
| Other Revenues | 471,540 | 497,903 | (26,363) |
| Total Revenues | \$ 5,969,470 | \$ 6,295,423 | \$ (325,953) |
| Expenses for Services | 4,413,955 | 4,516,122 | 102,167 |
| Change in Net Position | \$ 1,555,515 | \$ 1,779,301 | \$ (223,786) |
| Net Position, Beginning of Year | (851,506) | (2,630,807) | 1,779,301 |
| Net Position, End of Year | \$ 704,009 | \$ (851,506) | \$ 1,555,515 |

*

*As Adjusted, Note 16

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of the fiscal year ended July 31, 2025, were \$11,187,671, an increase of \$414,676 from the prior year.

The General Fund fund balance increased by \$495,879, primarily due to property tax and service revenues exceeding operating expenditures and capital costs.

The Debt Service Fund fund balance increased by \$53,081, primarily due to the structure of the District's outstanding debt service.

The Capital Projects Fund fund balance decreased by \$134,284, primarily due to the use of surplus funds to fund capital outlay exceeding investment revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$337,298 less than budgeted revenues and actual expenditures were \$1,147,003 less than budgeted expenditures. This resulted in a positive variance of \$809,705. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of July 31, 2025, total \$23,411,928 (net of accumulated depreciation). These capital assets include land, as well as the water, wastewater and drainage systems and recreation/trails.

Capital Assets At Year-End, Net of Accumulated Depreciation

| | 2025 | 2024* | Change Positive (Negative) |
|--|----------------------|----------------------|----------------------------------|
| Capital Assets Not Being Depreciated: | | | |
| Land and Land Improvements | \$ 1,198,621 | \$ 1,198,621 | \$ |
| Capital Assets, Net of Accumulated Depreciation: | | | |
| Water System | 5,956,521 | 6,210,441 | (253,920) |
| Wastewater System | 6,922,247 | 6,932,487 | (10,240) |
| Drainage System | 6,586,374 | 6,645,385 | (59,011) |
| Recreation/Trails | 2,748,165 | 2,843,400 | (95,235) |
| Total Net Capital Assets | <u>\$ 23,411,928</u> | <u>\$ 23,830,334</u> | <u>\$ (418,406)</u> |

*As Adjusted, Note 16

Additional information on the District's capital assets can be found in Note 6 of this report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt of \$34,020,000.

The changes in the debt position of the District during the fiscal year ended July 31, 2025, are summarized as follows:

| | |
|-----------------------------------|----------------------|
| Bond Debt Payable, August 1, 2024 | \$ 35,615,000 |
| Less: Bond Principal Paid | <u>1,595,000</u> |
| Bond Debt Payable, July 31, 2025 | <u>\$ 34,020,000</u> |

The District’s Series 2014 bonds have an underlying rating of “A” from Standard & Poor’s (S&P). The District’s Series 2015, Series 2016 Refunding, Series 2016A, Series 2017, Series 2020, Series 2020A, Series 2020 Refunding, Series 2021 Refunding and Series 2021 Bonds have an underlying rating of “Baa1” from Moody’s. The Series 2014, Series 2015, Series 2016 Refunding, Series 2017, Series 2020, and Series 2020 Refunding Bonds carry an insured rating of “AA”, “AA/A1” or “AA/A1/AA+” by virtue of bond insurance issued by Assured Guaranty. The Series 2020A, Series 2021 Refunding and Series 2021 Bonds carry an insured rating of “AA” from S&P by virtue of bond insurance issued by Build America Municipal. The Series 2016A Bonds carried an insured rating of “Baa1” from Moody’s by virtue of bond insurance issued by National Public Finance Guarantee. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings are as of July 31, 2025, and reflect all rating changes through the fiscal year end.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 401, c/o Marks Richards PC, 3700 Buffalo Speedway, Suite 830, Houston, Texas 77098.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2025

| | General Fund | Debt Service Fund |
|--|---------------------|----------------------|
| ASSETS | | |
| Cash | \$ 186,461 | \$ 301,735 |
| Investments | 5,556,296 | 4,454,388 |
| Receivables: | | |
| Property Taxes | 11,628 | 23,618 |
| Penalty and Interest on Delinquent Taxes | | |
| Service Accounts | 105,639 | |
| Other | 186 | |
| Due from Other Funds | 359,607 | |
| Prepaid Costs | | |
| Land | | |
| Capital Assets (Net of Accumulated Depreciation) | | |
| TOTAL ASSETS | \$ 6,219,817 | \$ 4,779,741 |
| DEFERRED OUTFLOW OF RESOURCES | | |
| Deferred Charges on Refunding Bonds | \$ -0- | \$ -0- |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 6,219,817 | \$ 4,779,741 |

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

| <u>Capital Projects Fund</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|----------------------------------|----------------------|----------------------|--------------------------------------|
| \$ 2,909 | \$ 491,105 | \$ | \$ 491,105 |
| 934,884 | 10,945,568 | | 10,945,568 |
| | 35,246 | | 35,246 |
| | 105,639 | 6,400 | 6,400 |
| | 186 | | 186 |
| | 359,607 | (359,607) | |
| | | 29,062 | 29,062 |
| | | 1,198,621 | 1,198,621 |
| | | 22,213,307 | 22,213,307 |
| \$ 937,793 | \$ 11,937,351 | \$ 23,087,783 | \$ 35,025,134 |
| <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 328,581</u> | <u>\$ 328,581</u> |
| <u>\$ 937,793</u> | <u>\$ 11,937,351</u> | <u>\$ 23,416,364</u> | <u>\$ 35,353,715</u> |

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2025

| | General Fund | Debt Service Fund |
|---|---------------------|----------------------|
| LIABILITIES | | |
| Accounts Payable | \$ 216,691 | \$ |
| Accrued Interest Payable | | |
| Due to Other Funds | | 22,589 |
| Due to Taxpayers | | 6,626 |
| Security Deposits | 125,301 | |
| Long-Term Liabilities: | | |
| Bonds Payable, Due Within One Year | | |
| Bonds Payable, Due After One Year | | |
| TOTAL LIABILITIES | \$ 341,992 | \$ 29,215 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Taxes | \$ 11,628 | \$ 23,618 |
| FUND BALANCES | | |
| Restricted for Authorized Construction | \$ | \$ |
| Restricted for Debt Service | | 4,726,908 |
| Unassigned | 5,866,197 | |
| TOTAL FUND BALANCES | \$ 5,866,197 | \$ 4,726,908 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 6,219,817 | \$ 4,779,741 |
| NET POSITION | | |
| Net Investment in Capital Assets | | |
| Restricted for Debt Service | | |
| Unrestricted | | |
| TOTAL NET POSITION | | |

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

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|--------------------------|----------------------|------------------------|------------------------------|
| \$ 6,209 | \$ 222,900 | \$ | \$ 222,900 |
| | | 431,322 | 431,322 |
| 337,018 | 359,607 | (359,607) | |
| | 6,626 | | 6,626 |
| | 125,301 | | 125,301 |
| | | 1,695,000 | 1,695,000 |
| | | 32,168,557 | 32,168,557 |
| <u>\$ 343,227</u> | <u>\$ 714,434</u> | <u>\$ 33,935,272</u> | <u>\$ 34,649,706</u> |
| <u>\$ -0-</u> | <u>\$ 35,246</u> | <u>\$ (35,246)</u> | <u>\$ -0-</u> |
| \$ 594,566 | \$ 594,566 | \$ (594,566) | \$ |
| | 4,726,908 | (4,726,908) | |
| | 5,866,197 | (5,866,197) | |
| <u>\$ 594,566</u> | <u>\$ 11,187,671</u> | <u>\$ (11,187,671)</u> | <u>\$ -0-</u> |
| <u>\$ 937,793</u> | <u>\$ 11,937,351</u> | | |
| | | \$ (9,528,482) | \$ (9,528,482) |
| | | 4,325,604 | 4,325,604 |
| | | 5,906,887 | 5,906,887 |
| | | <u>\$ 704,009</u> | <u>\$ 704,009</u> |

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JULY 31, 2025

| | | |
|--|---------------------|---------------------|
| Total Fund Balances - Governmental Funds | | \$ 11,187,671 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Bond insurance premiums paid at closing are amortized over the term of the bond. | | 29,062 |
| Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter. | | 328,581 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. | | 23,411,928 |
| Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District. | | 41,646 |
| Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of: | | |
| Accrued Interest Payable | \$ (431,322) | |
| Bonds Payable | <u>(33,863,557)</u> | <u>(34,294,879)</u> |
| Total Net Position - Governmental Activities | | <u>\$ 704,009</u> |

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2025

| | General Fund | Debt Service Fund |
|---|---------------------|----------------------|
| REVENUES | | |
| Property Taxes | \$ 1,372,258 | \$ 2,575,573 |
| Water Service | 454,780 | |
| Wastewater Service | 504,050 | |
| Regional Water Authority Fees | 546,163 | |
| Penalty and Interest | 15,707 | 21,145 |
| Investment Revenues | 241,318 | 172,598 |
| Miscellaneous Revenues | | 12,893 |
| | <u>\$ 3,134,276</u> | <u>\$ 2,782,209</u> |
| TOTAL REVENUES | | |
| EXPENDITURES/EXPENSES | | |
| Service Operations: | | |
| Professional Fees | \$ 158,761 | \$ 2,874 |
| Contracted Services | 812,419 | 60,815 |
| Utilities | 109,133 | |
| Regional Water Authority Assessment | 546,710 | |
| Repairs and Maintenance | 530,707 | |
| Depreciation | | |
| Other | 199,059 | 13,341 |
| Capital Outlay | 281,608 | |
| Debt Service: | | |
| Bond Principal | | 1,595,000 |
| Bond Interest | | 1,057,098 |
| | <u>\$ 2,638,397</u> | <u>\$ 2,729,128</u> |
| TOTAL EXPENDITURES/EXPENSES | | |
| NET CHANGE IN FUND BALANCES | \$ 495,879 | \$ 53,081 |
| CHANGE IN NET POSITION | | |
| FUND BALANCES/NET POSITION - | | |
| AUGUST 1, 2024, AS REPORTED | 5,370,318 | 4,673,827 |
| CORRECTION OF AN ERROR | | |
| AUGUST 1, 2024, AS RESTATED | <u>\$ 5,370,318</u> | <u>\$ 4,673,827</u> |
| FUND BALANCES/NET POSITION - JULY 31, 2025 | <u>\$ 5,866,197</u> | <u>\$ 4,726,908</u> |

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

| Capital Projects Fund | Total | Adjustments | Statement of Activities |
|--------------------------|---------------|-----------------|----------------------------|
| \$ | \$ 3,947,831 | \$ 7,060 | \$ 3,954,891 |
| | 454,780 | | 454,780 |
| | 504,050 | | 504,050 |
| | 546,163 | | 546,163 |
| | 36,852 | 1,194 | 38,046 |
| 44,731 | 458,647 | | 458,647 |
| | 12,893 | | 12,893 |
| \$ 44,731 | \$ 5,961,216 | \$ 8,254 | \$ 5,969,470 |
| \$ | \$ 161,635 | \$ | \$ 161,635 |
| | 873,234 | | 873,234 |
| | 109,133 | | 109,133 |
| | 546,710 | | 546,710 |
| | 530,707 | | 530,707 |
| | | 878,409 | 878,409 |
| 620 | 213,020 | | 213,020 |
| 178,395 | 460,003 | (460,003) | |
| | 1,595,000 | (1,595,000) | |
| | 1,057,098 | 44,009 | 1,101,107 |
| \$ 179,015 | \$ 5,546,540 | \$ (1,132,585) | \$ 4,413,955 |
| \$ (134,284) | \$ 414,676 | \$ (414,676) | \$ |
| | | 1,555,515 | 1,555,515 |
| 728,850 | 10,772,995 | (13,132,656) | (2,359,661) |
| | | 1,508,155 | 1,508,155 |
| \$ 728,850 | \$ 10,772,995 | \$ (11,624,501) | \$ (851,506) |
| \$ 594,566 | \$ 11,187,671 | \$ (10,483,662) | \$ 704,009 |

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2025**

| | | |
|---|----|-------------------------|
| Net Change in Fund Balances - Governmental Funds | \$ | 414,676 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. | | 7,060 |
| Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. | | 1,194 |
| Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. | | (878,409) |
| Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. | | 460,003 |
| Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. | | 1,595,000 |
| Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. | | <u>(44,009)</u> |
| Change in Net Position - Governmental Activities | \$ | <u><u>1,555,515</u></u> |

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 401 (the “District”) was created effective August 10, 2004 by an Order of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its organizational meeting on August 30, 2004, and sold its first bonds on December 27, 2007.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

Fund Financial Statements

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2025, the Debt Service Fund (Tax Fund) owed the General Fund \$22,589 for maintenance tax collections and the Capital Projects Fund owed the General Fund \$337,018 for capital costs approved to be paid with surplus bond proceeds.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

| | Years |
|-----------------------|-------|
| Buildings | 40 |
| Water System | 10-45 |
| Wastewater System | 10-45 |
| Storm Drainage System | 10-45 |
| All Other Equipment | 3-20 |

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 3. LONG-TERM DEBT

| | <u>Series 2014</u> | <u>Series 2015</u> | <u>Refunding Series 2016</u> |
|---|---------------------------|---------------------------|----------------------------------|
| Amount Outstanding – July 31, 2025 | \$ 3,915,000 | \$ 6,315,000 | \$ 3,010,000 |
| Interest Rates | 3.00% - 4.00% | 2.75% - 4.00% | 2.750% - 3.375% |
| Maturity Dates – Serially Beginning/Ending | September 1, 2025/2038 | September 1, 2025/2040 | September 1, 2025/2031 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2022* | September 1, 2023* | September 1, 2023* |
| | <u>Series 2016A</u> | <u>Series 2017</u> | <u>Series 2020</u> |
| Amount Outstanding – July 31, 2025 | \$ 4,400,000 | \$ 6,400,000 | \$ 1,000,000 |
| Interest Rates | 2.00% - 3.375% | 3.00% - 3.50% | 2.00% |
| Maturity Dates – Serially Beginning/Ending | September 1, 2025/2041 | September 1, 2025/2042 | September 1, 2025/2034 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2024* | September 1, 2024* | September 1, 2026* |

* Or any date thereafter, callable at par plus accrued interest to the date fixed for redemption, in whole or in part, at the option of the District. Series 2014 term bonds maturing September 1, 2026, 2028, 2030, 2034, 2036, and 2038, are scheduled for mandatory redemption beginning September 1, 2025, 2027, 2029, 2031, 2035, and 2037, respectively. Series 2015 term bonds maturing September 1, 2035, 2037, and 2040 are subject to mandatory redemption beginning September 1, 2034, 2036, and 2038, respectively. Series 2016A term bonds maturing September 1, 2031, 2033, 2035, 2037, 2039, and 2041, are subject to mandatory redemption beginning September 1, 2030, 2032, 2034, 2036, 2038, and 2040, respectively. Series 2020 term bonds maturing September 1, 2032 and 2034 are scheduled for mandatory redemption beginning September 1, 2031, and 2033, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 3. LONG-TERM DEBT (Continued)

| | <u>Series 2020A</u> | <u>Refunding Series 2020</u> | <u>Refunding Series 2021</u> |
|---|---------------------------|----------------------------------|----------------------------------|
| Amount Outstanding – July 31, 2025 | \$ 3,060,000 | \$ 1,035,000 | \$ 2,085,000 |
| Interest Rates | 2.00%-4.00% | 2.00% - 4.00% | 1.00% - 3.00% |
| Maturity Dates – Serially Beginning/Ending | September 1, 2025/2040 | September 1, 2025/2034 | September 1, 2025/2032 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2026* | September 1, 2026* | September 1, 2026* |
| | <u>Series 2021</u> | | |
| Amount Outstanding – July 31, 2025 | \$ 2,800,000 | | |
| Interest Rates | 2.000%-2.375% | | |
| Maturity Dates – Serially Beginning/Ending | September 1, 2025/2045 | | |
| Interest Payment Dates | September 1/ March 1 | | |
| Callable Dates | September 1, 2027* | | |

* Or any date thereafter, callable at par plus accrued interest to the date fixed for redemption, in whole or in part, at the option of the District. Series 2020A term bonds maturing September 1, 2032, 2034, 2036, 2038, and 2040 are scheduled for mandatory redemption beginning September 1, 2031, 2033, 2035, 2037, and 2039, respectively. Series 2020 Refunding term bonds maturing September 1, 2029, 2032, and 2034, are scheduled for mandatory redemption beginning September 1, 2027, 2030, and 2033, respectively. Series 2021 Refunding term bonds maturing September 1, 2028, 2030, and 2032, are scheduled for mandatory redemption beginning September 1, 2027, 2029, and 2031, respectively. Series 2021 term bonds maturing September 1, 2032, 2034, 2037 and 2045, are scheduled for mandatory redemption beginning September 1, 2031, 2033, 2035 and 2038, respectively

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2025:

| | August 1, 2024 | Additions | Retirements | July 31, 2025 |
|-----------------------|-------------------|-----------|----------------------------|------------------|
| Bonds Payable | \$ 35,615,000 | \$ | \$ 1,595,000 | \$ 34,020,000 |
| Unamortized Discounts | (313,475) | | (21,874) | (291,601) |
| Unamortized Premiums | 144,462 | | 9,304 | 135,158 |
| Bonds Payable, net | \$ 35,445,987 | \$ -0- | \$ 1,582,430 | \$ 33,863,557 |
| | | | Amount Due Within One Year | \$ 1,695,000 |
| | | | Amount Due After One Year | 32,168,557 |
| | | | Bonds Payable, net | \$ 33,863,557 |

As of July 31, 2025, the District has authorized but unissued utility bonds in the amount of \$13,360,000, refunding bonds in the amount of \$58,555,000 and recreational bonds in the amount of \$1,485,000.

As of July 31, 2025, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|---------------|--------------|---------------|
| 2026 | \$ 1,695,000 | \$ 1,011,653 | \$ 2,706,653 |
| 2027 | 1,725,000 | 963,916 | 2,688,916 |
| 2028 | 1,755,000 | 916,697 | 2,671,697 |
| 2029 | 1,790,000 | 869,904 | 2,659,904 |
| 2030 | 1,820,000 | 821,020 | 2,641,020 |
| 2031-2035 | 9,810,000 | 3,284,603 | 13,094,603 |
| 2036-2040 | 9,640,000 | 1,736,933 | 11,376,933 |
| 2041-2045 | 5,485,000 | 310,487 | 5,795,487 |
| 2046 | 300,000 | 3,562 | 303,562 |
| | \$ 34,020,000 | \$ 9,918,775 | \$ 43,938,775 |

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

During the year ended July 31, 2025, the District levied an ad valorem debt service tax at the rate of \$0.51 per \$100 of assessed valuation, which resulted in a tax levy of \$2,581,075 on the adjusted taxable valuation of \$506,093,220 for the 2024 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 3. LONG-TERM DEBT (Continued)

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

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

The bond resolutions state that the District is required to provide to the state information depository continuing disclosure of annual financial information and operating data with respect to the District. This information is also required to be provided to each nationally recognized municipal securities information depository. The information, along with the audited annual financial statements, is of the general type included in the annual audit report, and must be filed within six months after the end of each fiscal year of the District.

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to or greater than the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$491,105 and the bank balance was \$551,976. The District was not exposed to custodial credit risk at year-end.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2025, as listed below:

| | Cash |
|-----------------------|------------|
| GENERAL FUND | \$ 186,461 |
| DEBT SERVICE FUND | 301,735 |
| CAPITAL PROJECTS FUND | 2,909 |
| TOTAL DEPOSITS | \$ 491,105 |

Investments

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District also invests in Texas Range, an external investment pool that is not SEC-registered. An Advisory Board, which is made up of experienced local government finance directors and treasurers, has oversight of the pool. Investment advisory services are provided by U.S. Bancorp Asset Management, Inc. Custodial service are performed by U.S. Bank, N.A. Texas Range measures all its portfolio assets at amortized cost. As a result, the District also measures its investment in Texas Range at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from Texas Range.

As of July 31, 2025, the District had the following investments:

| Fund and Investment Type | Fair Value | Maturities of Less Than 1 Year |
|------------------------------|----------------------|--------------------------------------|
| <u>GENERAL FUND</u> | | |
| TexSTAR | \$ 4,953,236 | \$ 4,953,236 |
| Texas Range | 603,060 | 603,060 |
| <u>DEBT SERVICE FUND</u> | | |
| TexSTAR | 4,454,388 | 4,454,388 |
| <u>CAPITAL PROJECTS FUND</u> | | |
| TexSTAR | 934,884 | 934,884 |
| TOTAL INVESTMENTS | \$ 10,945,568 | \$ 10,945,568 |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2025, the District's investments in TexSTAR and Texas Range were rated AAAM by Standard and Poor's.

Interest rate risk is the risk the changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexSTAR and Texas Range to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District.

Restrictions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2025:

| | August 1, 2024* | Increases | Decreases | July 31, 2025 |
|--|----------------------|---------------------|-----------------|----------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 1,198,621 | \$ - 0 - | \$ - 0 - | \$ 1,198,621 |
| Capital Assets Subject to Depreciation | | | | |
| Water System | \$ 9,574,266 | \$ 31,387 | \$ | \$ 9,605,653 |
| Wastewater System | 9,851,250 | 235,940 | | 10,087,190 |
| Drainage System | 10,065,951 | 173,716 | | 10,239,667 |
| Recreation/Trails | 3,556,690 | 18,960 | | 3,575,650 |
| Total Capital Assets Subject to Depreciation | \$ 33,048,157 | \$ 460,003 | \$ - 0 - | \$ 33,508,160 |
| Less Accumulated Depreciation | | | | |
| Water System | \$ 3,363,825 | \$ 285,307 | \$ | \$ 3,649,132 |
| Wastewater System | 2,918,763 | 246,180 | | 3,164,943 |
| Drainage System | 3,420,566 | 232,727 | | 3,653,293 |
| Recreation/Trails | 713,290 | 114,195 | | 827,485 |
| Total Accumulated Depreciation | \$ 10,416,444 | \$ 878,409 | \$ - 0 - | \$ 11,294,853 |
| Total Depreciable Capital Assets, Net of Accumulated Depreciation | \$ 22,631,713 | \$ (418,406) | \$ - 0 - | \$ 22,213,307 |
| Total Capital Assets, Net of Accumulated Depreciation | \$ 23,830,334 | \$ (418,406) | \$ - 0 - | \$ 23,411,928 |

*As Adjusted, Note 16

NOTE 7. MAINTENANCE TAX

On November 2, 2004, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended July 31, 2025, the District levied an ad valorem maintenance tax rate of \$0.27194 per \$100 of assessed valuation, which resulted in a tax levy of \$1,376,270 on the adjusted taxable valuation of \$506,093,220 for the 2024 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 8. RECREATIONAL FACILITY MAINTENANCE TAX

On November 2, 2004, the voters of the District approved the levy and collection of a recreational facilities maintenance tax not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District. This recreational facility maintenance tax is to be used by the General Fund to pay expenditures related to any recreational facilities. During the fiscal year ended July 31, 2025, the District did not levy a recreational facility maintenance tax.

NOTE 9. UNREIMBURSED COSTS

The District has executed developer financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, sewer, and drainage facilities until such time as the District can sell bonds.

The District further agreed to pay interest to the Developers on funds advanced for construction costs, creation costs and operating advances. The interest would be calculated at a rate equal to the lesser of (a) the net effective interest rate of the bonds or (b) the Developer's actual interest rate on loans obtained for the purpose of making payment of construction costs, creation costs and operating advances.

The District restated its due to developers balance of July 31, 2024 due to the correction of an error (see Note 16). As of July 31, 2025, there are no more amounts reimbursable to the Developers.

NOTE 10. EMERGENCY WATER SUPPLY AGREEMENT

On August 17, 2005, the District entered into an Emergency Water Supply Contract with Dowdell Public Utility District ("Dowdell"). Each district was responsible for the design, acquisition, construction and installation of the interconnection facilities on their respective side of the point of interconnect. The cost of the meter was shared equally between the districts. The District is responsible for the maintenance and repair of the interconnection facilities on its side of the meter and Dowdell is responsible for the maintenance and repair of the interconnection facilities on its side of the meter, as well as, the meter itself. Each district is authorized to take water in an emergency, however, outside an emergency, water can only be taken upon written consent from the supplying district. The agreement provides for calculating the amount of water taken and states that the price is \$0.50 per 1,000 gallons of water, plus any amount of fee imposed by a regional water authority, other governmental entity or other contractual arrangement. The term of the agreement is 40 years.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 11. INTERIM WATER SUPPLY AGREEMENT

On November 17, 2021, the District entered into an Interim Water Supply Contract with Dowdell. Each district was responsible for the design, acquisition, construction and installation of the interconnection facilities on their respective side of the point of interconnect. The interconnect water line will be initially developed by the District. After development, Dowdell will maintain sole ownership and operations of the interconnect facilities. The District and Dowdell will share equally all costs associated with the ownership, operation and/or maintenance of the interconnect facilities. During the Temporary Service Period, Dowdell agrees to provide the District 200,000 gallons per day of potable water until December 31, 2023 or until the District notifies Dowdell that the temporary service is no longer needed. After completion of the Temporary Service Period, outside an emergency, water can only be taken upon written consent from the District. The agreement provides for calculating the amount of water taken and states that the price is \$2.00 per 1,000 gallons of water, plus any amount of fee imposed by a regional water authority, other governmental entity or other contractual arrangement. The term of the agreement is 5 years.

NOTE 12. RISK MANAGEMENT

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

NOTE 13. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements. The District is required to convert its water supply to surface water over a period of time. A five-member board of directors governs the Authority. The directors serve staggered four-year terms.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee being charged is \$2.60 per 1,000 gallons of water pumped from each well. The District paid \$546,710 for fees assessed during the current fiscal year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 14. WHOLESALE WATER SUPPLY AGREEMENT

On February 20, 2008, the District entered a wholesale water supply agreement with Albury Manor Utility Company, Inc. (“Albury Manor”). This agreement was amended on September 15, 2010. The District provided water at a rate of \$4.72 per 1,000 gallons of water delivered until March 19, 2018. On that date, the District approved a rate increase to \$5.24 per 1,000 gallons of water delivered. On April 1, 2019, the District approved a rate increase to \$5.82 per 1,000 gallons of water delivered. Effective July 20, 2020, the District approved a rate increase to \$6.12 per 1,000 gallons of water delivered. Effective April 1, 2021, the District approved a rate increase to \$6.67 per 1,000 gallons of water delivered. Effective April 1, 2022, the District approved a rate increase to \$6.90 per 1,000 gallons of water delivered. Effective April 1, 2023, the District approved a rate decrease to \$6.86 per 1,000 gallons of water delivered. Effective April 1, 2024, the District approved a rate decrease to \$6.02 per 1,000 gallons of water delivered. Effective April 1, 2025, the District approved a rate decrease to \$5.47 per 1,000 gallons of water delivered. The term of this agreement is 40 years from the execution date.

NOTE 15. USE OF SURPLUS FUNDS

In accordance with Rule 30 T.A.C. 293.83(3)(A) of the Commission, on August 19, 2024, the District approved the use of surplus Capital Projects Fund monies in the amount of \$147,660 to finance the costs associated with the Inverness detention pond outfall pipe project.

In accordance with Rule 30 T.A.C. 293.83(3)(A) of the Commission, on May 19, 2025, the District approved the use of surplus Capital Projects Fund monies in the amount of \$147,094 to finance the costs associated with the repairs of the District sanitary sewer lines.

In accordance with Rule 30 T.A.C. 293.83(3)(A) of the Commission, on June 16, 2025, the District approved the use of surplus Capital Projects Fund monies in the amount of \$23,828 to finance the costs associated with the meter replacement project.

NOTE 16. CORRECTION OF AN ERROR

During the current fiscal year, the District evaluated, with the help of its consultants, whether all of the remaining Developer liabilities were still eligible to be reimbursed. It was determined that the remaining amounts recorded as Developer liabilities are not eligible to be reimbursed and the estimate of remaining liabilities, as well as associated capital asset balances, as of the beginning of the fiscal year were overstated. The net result was an increase in net position of \$1,508,155, which consisted of a decrease to developer liabilities of \$1,721,668 and a decrease to capital assets of \$213,513.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2025

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2025

| | <u>Original and Final Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|--------------------------------------|--------------------------------------|-----------------------------|------------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 1,241,574 | \$ 1,372,258 | \$ 130,684 |
| Water Service | 556,000 | 454,780 | (101,220) |
| Wastewater Service | 604,000 | 504,050 | (99,950) |
| Regional Water Authority Fee | 875,000 | 546,163 | (328,837) |
| Penalty and Interest | 24,000 | 15,707 | (8,293) |
| Investment Revenues | 170,000 | 241,318 | 71,318 |
| Miscellaneous Revenues | <u>1,000</u> | <u> </u> | <u>(1,000)</u> |
| TOTAL REVENUES | <u>\$ 3,471,574</u> | <u>\$ 3,134,276</u> | <u>\$ (337,298)</u> |
| EXPENDITURES | | | |
| Service Operations: | | | |
| Professional Fees | \$ 242,000 | \$ 158,761 | \$ 83,239 |
| Contracted Services | 803,000 | 812,419 | (9,419) |
| Utilities | 165,000 | 109,133 | 55,867 |
| Regional Water Authority Assessment | 875,000 | 546,710 | 328,290 |
| Repairs and Maintenance | 831,500 | 530,707 | 300,793 |
| Other | 218,900 | 199,059 | 19,841 |
| Capital Outlay | <u>650,000</u> | <u>281,608</u> | <u>368,392</u> |
| TOTAL EXPENDITURES | <u>\$ 3,785,400</u> | <u>\$ 2,638,397</u> | <u>\$ 1,147,003</u> |
| NET CHANGE IN FUND BALANCE | \$ (313,826) | \$ 495,879 | \$ 809,705 |
| FUND BALANCE - AUGUST 1, 2024 | <u>5,370,318</u> | <u>5,370,318</u> | <u> </u> |
| FUND BALANCE - JULY 31, 2025 | <u>\$ 5,056,492</u> | <u>\$ 5,866,197</u> | <u>\$ 809,705</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JULY 31, 2025

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2025**

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

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

* The District provides wholesale water service to Albury Manor Utility Company, Inc. (Albury Manor) in accordance with the wholesale water supply agreement between the District and Albury Manor effective February 20, 2008.

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective on July 19, 2021.

| | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate per 1,000 Gallons over Minimum Use | Usage Levels |
|-------------------------------|--|---------------|---------------|--|--|
| WATER: | \$21.00 | 5,000 | N | \$0.95 \$1.20 \$1.45*** \$1.70*** | 5,001 to 10,000 10,001 to 15,000 15,001 to 20,000 20,001 and up |
| WASTEWATER: | \$33.65** | | Y | | |
| SURCHARGE: | | | | | |
| Regional Water Authority Fees | \$2.78 per 1,000 gallons of water used | | | | |

District employs winter averaging for wastewater usage?

| | |
|-----|----|
| | X |
| Yes | No |

Total monthly charges per 10,000 gallons usage: Water: \$25.75 Wastewater: \$33.65 Surcharge: \$27.80

** Includes solid waste disposal.

*** During May 1 through August 31 of each year, the District bills \$1.75 per 1,000 gallons for the 15,001 to 20,000 tier and \$2.05 per 1,000 gallons for 20,001 and up tier.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2025**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

| <u>Meter Size</u> | <u>Total Connections</u> | <u>Active Connections</u> | <u>ESFC Factor</u> | <u>Active ESFCs</u> |
|---------------------------------|------------------------------|-------------------------------|------------------------|-------------------------|
| Unmetered | | | x 1.0 | |
| ≤ ³ / ₄ " | <u>1,236</u> | <u>1,222</u> | x 1.0 | <u>1,222</u> |
| 1" | <u>15</u> | <u>15</u> | x 2.5 | <u>38</u> |
| 1½" | <u>3</u> | <u>3</u> | x 5.0 | <u>15</u> |
| 2" | <u>8</u> | <u>8</u> | x 8.0 | <u>64</u> |
| 3" | | | x 15.0 | |
| 4" | | | x 25.0 | |
| 6" | | | x 50.0 | |
| 8" | | | x 80.0 | |
| 10" | | | x 115.0 | |
| Total Water Connections | <u><u>1,262</u></u> | <u><u>1,248</u></u> | | <u><u>1,339</u></u> |
| Total Wastewater Connections | <u><u>1,253</u></u> | <u><u>1,239</u></u> | x 1.0 | <u><u>1,239</u></u> |

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

| | | |
|------------------------------|-------------|--|
| Gallons pumped into system: | 190,469,000 | Water Accountability Ratio: 90 % (Gallons billed and sold/Gallons pumped and purchased) |
| Gallons billed to customers: | 166,281,000 | |
| Loss, leaks or flushing: | 5,206,000 | |

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2025**

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

Does the District have Debt Service standby fees? Yes ___ No X

Does the District have Operation and Maintenance standby fees? Yes ___ No X

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJ in which the District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2025**

| | |
|-------------------------------------|---------------------|
| PROFESSIONAL FEES: | |
| Auditing | \$ 18,000 |
| Engineering | 67,134 |
| Legal | <u>73,627</u> |
| TOTAL PROFESSIONAL FEES | <u>\$ 158,761</u> |
| CONTRACTED SERVICES: | |
| Bookkeeping | \$ 19,572 |
| Operations and Billing | <u>181,415</u> |
| TOTAL CONTRACTED SERVICES | <u>\$ 200,987</u> |
| UTILITIES | <u>\$ 109,133</u> |
| REPAIRS AND MAINTENANCE | <u>\$ 530,707</u> |
| ADMINISTRATIVE EXPENDITURES: | |
| Director Fees | \$ 32,153 |
| Insurance | 34,483 |
| Office Supplies and Postage | 910 |
| Payroll Taxes | 2,663 |
| Travel and Meetings | 5,950 |
| Other | <u>25,488</u> |
| TOTAL ADMINISTRATIVE EXPENDITURES | <u>\$ 101,647</u> |
| CAPITAL OUTLAY | <u>\$ 281,608</u> |
| SOLID WASTE DISPOSAL | <u>\$ 339,031</u> |
| SECURITY | <u>\$ 272,401</u> |
| OTHER EXPENDITURES: | |
| Laboratory Fees | \$ 50,763 |
| Regional Water Authority Assessment | 546,710 |
| Regulatory Assessment | 9,609 |
| Sludge Hauling | <u>37,040</u> |
| TOTAL OTHER EXPENDITURES | <u>\$ 644,122</u> |
| TOTAL EXPENDITURES | <u>\$ 2,638,397</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
SCHEDULE OF INVESTMENTS
JULY 31, 2025

| <u>Fund</u> | <u>Identification or Certificate Number</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Balance at End of Year</u> | <u>Accrued Interest Receivable at End of Year</u> |
|------------------------------|---|--------------------------|--------------------------|-----------------------------------|---|
| <u>GENERAL FUND</u> | | | | | |
| TexSTAR | XXXX1110 | Varies | Daily | \$ 4,953,236 | \$ |
| Texas Range | XXXX0000 | Varies | Daily | <u>603,060</u> | <u> </u> |
| TOTAL GENERAL FUND | | | | <u>\$ 5,556,296</u> | <u>\$ - 0 -</u> |
| <u>DEBT SERVICE FUND</u> | | | | | |
| TexSTAR | XXXX0230 | Varies | Daily | \$ 4,454,388 | \$ - 0 - |
| <u>CAPITAL PROJECTS FUND</u> | | | | | |
| TexSTAR | XXXX1400 | Varies | Daily | \$ 521,343 | \$ |
| TexSTAR | XXXX1700 | Varies | Daily | 158,640 | <u> </u> |
| TexSTAR | XXXX2021 | Varies | Daily | <u>254,901</u> | <u> </u> |
| TOTAL CAPITAL PROJECTS FUND | | | | <u>\$ 934,884</u> | <u>\$ - 0 -</u> |
| TOTAL - ALL FUNDS | | | | <u>\$ 10,945,568</u> | <u>\$ - 0 -</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2025

| | Maintenance Taxes | | Debt Service Taxes | |
|-----------------------------|-------------------|------------------|--------------------|-----------------------------------|
| TAXES RECEIVABLE - | | | | |
| AUGUST 1, 2024 | \$ | 8,875 | | \$ 19,311 |
| Adjustments to Beginning | | | | |
| Balance | | <u>(1,259)</u> | \$ 7,616 | <u>(1,195)</u> \$ 18,116 |
| Original 2024 Tax Levy | \$ | 1,334,249 | | \$ 2,502,268 |
| Adjustment to 2024 Tax Levy | | <u>42,021</u> | <u>1,376,270</u> | <u>78,807</u> <u>2,581,075</u> |
| TOTAL TO BE | | | | |
| ACCOUNTED FOR | | \$ 1,383,886 | | \$ 2,599,191 |
| TAX COLLECTIONS: | | | | |
| Prior Years | \$ | 3,487 | | \$ 8,562 |
| Current Year | | <u>1,368,771</u> | <u>1,372,258</u> | <u>2,567,011</u> <u>2,575,573</u> |
| TAXES RECEIVABLE - | | | | |
| JULY 31, 2025 | | <u>\$ 11,628</u> | | <u>\$ 23,618</u> |
| TAXES RECEIVABLE BY | | | | |
| YEAR: | | | | |
| 2024 | \$ | 7,499 | | \$ 14,064 |
| 2023 | | 1,556 | | 2,948 |
| 2022 | | 847 | | 1,982 |
| 2021 | | 866 | | 2,278 |
| 2020 | | 825 | | 2,251 |
| 2019 | | <u>35</u> | | <u>95</u> |
| TOTAL | \$ | <u>11,628</u> | | <u>\$ 23,618</u> |

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2025**

| | 2024 | 2023 | 2022 | 2021 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| PROPERTY VALUATIONS: | | | | |
| Land | \$ 81,389,467 | \$ 81,035,789 | \$ 81,077,785 | \$ 61,413,610 |
| Improvements | 458,532,975 | 482,540,322 | 428,399,049 | 335,434,628 |
| Personal Property | 5,954,161 | 5,347,330 | 5,134,096 | 3,532,698 |
| Exemptions | <u>(39,783,383)</u> | <u>(81,228,897)</u> | <u>(71,579,310)</u> | <u>(20,789,183)</u> |
| TOTAL PROPERTY VALUATIONS | <u>\$ 506,093,220</u> | <u>\$ 487,694,544</u> | <u>\$ 443,031,620</u> | <u>\$ 379,591,753</u> |
| TAX RATES PER \$100 VALUATION: | | | | |
| Debt Service | \$ 0.51000 | \$ 0.540 | \$ 0.620 | \$ 0.71 |
| Maintenance | <u>0.27194</u> | <u>0.285</u> | <u>0.265</u> | <u>0.27</u> |
| TOTAL TAX RATES PER \$100 VALUATION | <u>\$ 0.78194</u> | <u>\$ 0.825</u> | <u>\$ 0.885</u> | <u>\$ 0.98</u> |
| ADJUSTED TAX LEVY* | <u>\$ 3,957,345</u> | <u>\$ 4,023,480</u> | <u>\$ 3,921,292</u> | <u>\$ 3,719,999</u> |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | <u>99.46 %</u> | <u>99.89 %</u> | <u>99.93 %</u> | <u>99.92 %</u> |

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on November 2, 2004.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2025

SERIES - 2014

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2026 | \$ 100,000 | \$ 150,600 | \$ 250,600 |
| 2027 | 100,000 | 147,600 | 247,600 |
| 2028 | 100,000 | 144,475 | 244,475 |
| 2029 | 100,000 | 141,225 | 241,225 |
| 2030 | 100,000 | 137,850 | 237,850 |
| 2031 | 100,000 | 134,350 | 234,350 |
| 2032 | 100,000 | 130,600 | 230,600 |
| 2033 | 345,000 | 121,700 | 466,700 |
| 2034 | 385,000 | 107,100 | 492,100 |
| 2035 | 420,000 | 91,000 | 511,000 |
| 2036 | 500,000 | 72,600 | 572,600 |
| 2037 | 495,000 | 52,700 | 547,700 |
| 2038 | 520,000 | 32,400 | 552,400 |
| 2039 | 550,000 | 11,000 | 561,000 |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| | <u>\$ 3,915,000</u> | <u>\$ 1,475,200</u> | <u>\$ 5,390,200</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2025

| S E R I E S - 2 0 1 5 | | | | |
|--|---------------------------------|---|-------|-----------|
| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total | |
| 2026 | \$ 230,000 | \$ 226,391 | \$ | 456,391 |
| 2027 | 245,000 | 219,860 | | 464,860 |
| 2028 | 255,000 | 212,666 | | 467,666 |
| 2029 | 270,000 | 204,623 | | 474,623 |
| 2030 | 285,000 | 195,773 | | 480,773 |
| 2031 | 300,000 | 186,266 | | 486,266 |
| 2032 | 315,000 | 176,036 | | 491,036 |
| 2033 | 330,000 | 164,906 | | 494,906 |
| 2034 | 345,000 | 152,878 | | 497,878 |
| 2035 | 365,000 | 139,781 | | 504,781 |
| 2036 | 275,000 | 127,781 | | 402,781 |
| 2037 | 550,000 | 111,969 | | 661,969 |
| 2038 | 550,000 | 90,656 | | 640,656 |
| 2039 | 550,000 | 69,000 | | 619,000 |
| 2040 | 700,000 | 44,000 | | 744,000 |
| 2041 | 750,000 | 15,000 | | 765,000 |
| 2042 | | | | |
| 2043 | | | | |
| 2044 | | | | |
| 2045 | | | | |
| 2046 | | | | |
| | \$ 6,315,000 | \$ 2,337,586 | \$ | 8,652,586 |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2025

SERIES - 2016 REFUNDING

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2026 | \$ 395,000 | \$ 86,337 | \$ 481,337 |
| 2027 | 400,000 | 75,406 | 475,406 |
| 2028 | 415,000 | 63,681 | 478,681 |
| 2029 | 430,000 | 51,006 | 481,006 |
| 2030 | 445,000 | 37,603 | 482,603 |
| 2031 | 455,000 | 23,256 | 478,256 |
| 2032 | 470,000 | 7,931 | 477,931 |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| | <u>\$ 3,010,000</u> | <u>\$ 345,220</u> | <u>\$ 3,355,220</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2025

S E R I E S - 2 0 1 6 A

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2026 | \$ 200,000 | \$ 132,125 | \$ 332,125 |
| 2027 | 200,000 | 127,875 | 327,875 |
| 2028 | 200,000 | 123,125 | 323,125 |
| 2029 | 200,000 | 118,000 | 318,000 |
| 2030 | 200,000 | 112,625 | 312,625 |
| 2031 | 200,000 | 106,875 | 306,875 |
| 2032 | 200,000 | 100,875 | 300,875 |
| 2033 | 200,000 | 94,875 | 294,875 |
| 2034 | 200,000 | 88,875 | 288,875 |
| 2035 | 200,000 | 82,625 | 282,625 |
| 2036 | 200,000 | 76,125 | 276,125 |
| 2037 | 200,000 | 69,625 | 269,625 |
| 2038 | 200,000 | 63,125 | 263,125 |
| 2039 | 200,000 | 56,625 | 256,625 |
| 2040 | 500,000 | 45,250 | 545,250 |
| 2041 | 500,000 | 28,688 | 528,688 |
| 2042 | 600,000 | 10,125 | 610,125 |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| | <u>\$ 4,400,000</u> | <u>\$ 1,437,438</u> | <u>\$ 5,837,438</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2025

| S E R I E S - 2 0 1 7 | | | | |
|--|---------------------------------|---|-------|-----------|
| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total | |
| 2026 | \$ 300,000 | \$ 202,375 | \$ | 502,375 |
| 2027 | 300,000 | 193,375 | | 493,375 |
| 2028 | 300,000 | 184,375 | | 484,375 |
| 2029 | 300,000 | 175,375 | | 475,375 |
| 2030 | 300,000 | 166,375 | | 466,375 |
| 2031 | 300,000 | 157,375 | | 457,375 |
| 2032 | 300,000 | 148,375 | | 448,375 |
| 2033 | 300,000 | 139,188 | | 439,188 |
| 2034 | 300,000 | 129,813 | | 429,813 |
| 2035 | 300,000 | 120,438 | | 420,438 |
| 2036 | 300,000 | 110,875 | | 410,875 |
| 2037 | 400,000 | 99,500 | | 499,500 |
| 2038 | 400,000 | 86,500 | | 486,500 |
| 2039 | 400,000 | 73,250 | | 473,250 |
| 2040 | 400,000 | 59,500 | | 459,500 |
| 2041 | 400,000 | 45,500 | | 445,500 |
| 2042 | 400,000 | 31,500 | | 431,500 |
| 2043 | 700,000 | 12,250 | | 712,250 |
| 2044 | | | | |
| 2045 | | | | |
| 2046 | | | | |
| | \$ 6,400,000 | \$ 2,135,939 | \$ | 8,535,939 |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2025

| S E R I E S - 2 0 2 0 | | | |
|--|---------------------------------|---|--------------|
| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
| 2026 | \$ 100,000 | \$ 19,000 | \$ 119,000 |
| 2027 | 100,000 | 17,000 | 117,000 |
| 2028 | 100,000 | 15,000 | 115,000 |
| 2029 | 100,000 | 13,000 | 113,000 |
| 2030 | 100,000 | 11,000 | 111,000 |
| 2031 | 100,000 | 9,000 | 109,000 |
| 2032 | 100,000 | 7,000 | 107,000 |
| 2033 | 100,000 | 5,000 | 105,000 |
| 2034 | 100,000 | 3,000 | 103,000 |
| 2035 | 100,000 | 1,000 | 101,000 |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| | \$ 1,000,000 | \$ 100,000 | \$ 1,100,000 |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2025

SERIES - 2020 A PARK

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2026 | \$ 100,000 | \$ 71,438 | \$ 171,438 |
| 2027 | 100,000 | 67,437 | 167,437 |
| 2028 | 100,000 | 64,438 | 164,438 |
| 2029 | 100,000 | 62,437 | 162,437 |
| 2030 | 100,000 | 60,438 | 160,438 |
| 2031 | 100,000 | 58,437 | 158,437 |
| 2032 | 100,000 | 56,438 | 156,438 |
| 2033 | 100,000 | 54,437 | 154,437 |
| 2034 | 100,000 | 52,374 | 152,374 |
| 2035 | 100,000 | 50,250 | 150,250 |
| 2036 | 150,000 | 47,500 | 197,500 |
| 2037 | 150,000 | 44,124 | 194,124 |
| 2038 | 200,000 | 40,187 | 240,187 |
| 2039 | 200,000 | 35,688 | 235,688 |
| 2040 | 225,000 | 30,766 | 255,766 |
| 2041 | 225,000 | 25,422 | 250,422 |
| 2042 | 225,000 | 19,938 | 244,938 |
| 2043 | 325,000 | 13,063 | 338,063 |
| 2044 | 360,000 | 4,500 | 364,500 |
| 2045 | | | |
| 2046 | | | |
| | <u>\$ 3,060,000</u> | <u>\$ 859,312</u> | <u>\$ 3,919,312</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2025

SERIES - 2020 REFUNDING

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2026 | \$ 75,000 | \$ 23,875 | \$ 98,875 |
| 2027 | 80,000 | 20,775 | 100,775 |
| 2028 | 80,000 | 18,375 | 98,375 |
| 2029 | 85,000 | 16,725 | 101,725 |
| 2030 | 85,000 | 15,025 | 100,025 |
| 2031 | 90,000 | 13,163 | 103,163 |
| 2032 | 95,000 | 11,081 | 106,081 |
| 2033 | 150,000 | 8,325 | 158,325 |
| 2034 | 145,000 | 5,006 | 150,006 |
| 2035 | 150,000 | 1,687 | 151,687 |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| | <u>\$ 1,035,000</u> | <u>\$ 134,037</u> | <u>\$ 1,169,037</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2025

| S E R I E S - 2 0 2 1 | | | | |
|--|---------------------------------|---|-------|-----------|
| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total | |
| 2026 | \$ 100,000 | \$ 61,000 | \$ | 161,000 |
| 2027 | 100,000 | 59,000 | | 159,000 |
| 2028 | 100,000 | 57,000 | | 157,000 |
| 2029 | 100,000 | 55,000 | | 155,000 |
| 2030 | 100,000 | 53,000 | | 153,000 |
| 2031 | 100,000 | 51,000 | | 151,000 |
| 2032 | 100,000 | 49,000 | | 149,000 |
| 2033 | 100,000 | 47,000 | | 147,000 |
| 2034 | 100,000 | 45,000 | | 145,000 |
| 2035 | 100,000 | 43,000 | | 143,000 |
| 2036 | 100,000 | 40,937 | | 140,937 |
| 2037 | 100,000 | 38,812 | | 138,812 |
| 2038 | 100,000 | 36,687 | | 136,687 |
| 2039 | 100,000 | 34,438 | | 134,438 |
| 2040 | 100,000 | 32,063 | | 132,063 |
| 2041 | 100,000 | 29,688 | | 129,688 |
| 2042 | 200,000 | 26,125 | | 226,125 |
| 2043 | 200,000 | 21,376 | | 221,376 |
| 2044 | 200,000 | 16,625 | | 216,625 |
| 2045 | 300,000 | 10,687 | | 310,687 |
| 2046 | 300,000 | 3,562 | | 303,562 |
| | \$ 2,800,000 | \$ 811,000 | \$ | 3,611,000 |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2025

SERIES - 2021 REFUNDING

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2026 | \$ 95,000 | \$ 38,512 | \$ 133,512 |
| 2027 | 100,000 | 35,588 | 135,588 |
| 2028 | 105,000 | 33,562 | 138,562 |
| 2029 | 105,000 | 32,513 | 137,513 |
| 2030 | 105,000 | 31,331 | 136,331 |
| 2031 | 110,000 | 29,987 | 139,987 |
| 2032 | 110,000 | 28,200 | 138,200 |
| 2033 | 350,000 | 23,600 | 373,600 |
| 2034 | 345,000 | 16,650 | 361,650 |
| 2035 | 335,000 | 9,850 | 344,850 |
| 2036 | 325,000 | 3,250 | 328,250 |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| | <u>\$ 2,085,000</u> | <u>\$ 283,043</u> | <u>\$ 2,368,043</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2025

ANNUAL REQUIREMENTS
FOR ALL SERIES

| Due During Fiscal Years Ending July 31 | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
|--|------------------------|-----------------------|--|
| 2026 | \$ 1,695,000 | \$ 1,011,653 | \$ 2,706,653 |
| 2027 | 1,725,000 | 963,916 | 2,688,916 |
| 2028 | 1,755,000 | 916,697 | 2,671,697 |
| 2029 | 1,790,000 | 869,904 | 2,659,904 |
| 2030 | 1,820,000 | 821,020 | 2,641,020 |
| 2031 | 1,855,000 | 769,709 | 2,624,709 |
| 2032 | 1,890,000 | 715,536 | 2,605,536 |
| 2033 | 1,975,000 | 659,031 | 2,634,031 |
| 2034 | 2,020,000 | 600,696 | 2,620,696 |
| 2035 | 2,070,000 | 539,631 | 2,609,631 |
| 2036 | 1,850,000 | 479,068 | 2,329,068 |
| 2037 | 1,895,000 | 416,730 | 2,311,730 |
| 2038 | 1,970,000 | 349,555 | 2,319,555 |
| 2039 | 2,000,000 | 280,001 | 2,280,001 |
| 2040 | 1,925,000 | 211,579 | 2,136,579 |
| 2041 | 1,975,000 | 144,298 | 2,119,298 |
| 2042 | 1,425,000 | 87,688 | 1,512,688 |
| 2043 | 1,225,000 | 46,689 | 1,271,689 |
| 2044 | 560,000 | 21,125 | 581,125 |
| 2045 | 300,000 | 10,687 | 310,687 |
| 2046 | 300,000 | 3,562 | 303,562 |
| | <u>\$ 34,020,000</u> | <u>\$ 9,918,775</u> | <u>\$ 43,938,775</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2025

| Description | Original Bonds Issued | Bonds Outstanding August 1, 2024 |
|---|-----------------------------|--|
| Harris County Municipal Utility District No. 401 Unlimited Tax Bonds - Series 2014 | \$ 4,815,000 | \$ 4,015,000 |
| Harris County Municipal Utility District No. 401 Unlimited Tax Bonds - Series 2015 | 7,800,000 | 6,535,000 |
| Harris County Municipal Utility District No. 401 Unlimited Tax Refunding Bonds - Series 2016 | 5,185,000 | 3,390,000 |
| Harris County Municipal Utility District No. 401 Unlimited Tax Bonds - Series 2016A | 6,000,000 | 4,600,000 |
| Harris County Municipal Utility District No. 401 Unlimited Tax Bonds - Series 2017 | 8,200,000 | 6,700,000 |
| Harris County Municipal Utility District No. 401 Unlimited Tax Bonds - Series 2020 | 1,030,000 | 1,030,000 |
| Harris County Municipal Utility District No. 401 Unlimited Tax Park Bonds - Series 2020A | 3,360,000 | 3,160,000 |
| Harris County Municipal Utility District No. 401 Unlimited Tax Refunding Bonds - Series 2020 | 1,360,000 | 1,110,000 |
| Harris County Municipal Utility District No. 401 Unlimited Tax Refunding Bonds - Series 2021 | 2,345,000 | 2,175,000 |
| Harris County Municipal Utility District No. 401 Unlimited Tax Bonds - Series 2021 | <u>3,000,000</u> | <u>2,900,000</u> |
| TOTAL | <u>\$ 43,095,000</u> | <u>\$ 35,615,000</u> |

See accompanying independent auditor's report.

| <u>Current Year Transactions</u> | | | | |
|----------------------------------|---------------------|---------------------|--|-----------------------------|
| <u>Bonds Sold</u> | <u>Retirements</u> | | <u>Bonds Outstanding July 31, 2025</u> | <u>Paying Agent</u> |
| | <u>Principal</u> | <u>Interest</u> | | |
| \$ | \$ 100,000 | \$ 153,600 | \$ 3,915,000 | Regions Bank Houston, TX |
| | 220,000 | 232,579 | 6,315,000 | Regions Bank Houston, TX |
| | 380,000 | 96,519 | 3,010,000 | Regions Bank Houston, TX |
| | 200,000 | 136,125 | 4,400,000 | Regions Bank Houston, TX |
| | 300,000 | 211,375 | 6,400,000 | Regions Bank Houston, TX |
| | 30,000 | 20,300 | 1,000,000 | Regions Bank Houston, TX |
| | 100,000 | 75,437 | 3,060,000 | Regions Bank Houston, TX |
| | 75,000 | 26,875 | 1,035,000 | Regions Bank Houston, TX |
| | 90,000 | 41,288 | 2,085,000 | Regions Bank Houston, TX |
| | <u>100,000</u> | <u>63,000</u> | <u>2,800,000</u> | Regions Bank Houston, TX |
| <u>\$ - 0 -</u> | <u>\$ 1,595,000</u> | <u>\$ 1,057,098</u> | <u>\$ 34,020,000</u> | |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2025

| Bond Authority: | <u>Tax Bonds*</u> | <u>Refunding Bonds</u> | <u>Recreational Bonds</u> |
|---|----------------------|------------------------|---------------------------|
| Amount Authorized by Voters | \$ 54,675,000 | \$ 59,520,000 | \$ 4,845,000 |
| Amount Issued | <u>41,315,000</u> | <u>965,000</u> | <u>3,360,000</u> |
| Remaining to be Issued | <u>\$ 13,360,000</u> | <u>\$ 58,555,000</u> | <u>\$ 1,485,000</u> |
| | | | |
| Debt Service Fund cash and investment balances as of July 31, 2025: | | | <u>\$ 4,756,123</u> |
| Average annual debt service payment (principal and interest) for remaining term of all debt: | | | <u>\$ 2,092,323</u> |

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

| | Amounts | | |
|--|---------------------|---------------------|---------------------|
| | 2025 | 2024 | 2023 |
| REVENUES | | | |
| Property Taxes | \$ 1,372,258 | \$ 1,390,564 | \$ 1,166,900 |
| Water Service | 454,780 | 484,606 | 463,286 |
| Wastewater Service | 504,050 | 503,204 | 503,240 |
| Regional Water Authority Fee | 546,163 | 755,286 | 820,106 |
| Penalty and Interest | 15,707 | 18,339 | 19,709 |
| Tap Connection and Inspection Fees | | | |
| Investment Revenues | 241,318 | 252,317 | 182,074 |
| Miscellaneous Revenues | | | |
| TOTAL REVENUES | \$ 3,134,276 | \$ 3,404,316 | \$ 3,155,315 |
| EXPENDITURES | | | |
| Professional Fees | \$ 158,761 | \$ 219,215 | \$ 188,964 |
| Contracted Services | 812,419 | 708,120 | 616,158 |
| Utilities | 109,133 | 107,774 | 162,486 |
| Regional Water Authority Assessment | 546,710 | 708,106 | 738,964 |
| Repairs and Maintenance | 530,707 | 397,604 | 471,094 |
| Other | 199,059 | 195,736 | 214,175 |
| Bond Issuance | | | |
| Capital Outlay | 281,608 | 272,993 | 624,503 |
| TOTAL EXPENDITURES | \$ 2,638,397 | \$ 2,609,548 | \$ 3,016,344 |
| EXCESS (DEFICIENCY) OF REVENUES | | | |
| NET CHANGE IN FUND BALANCE | \$ 495,879 | \$ 794,768 | \$ 138,971 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In (Out) | \$ - 0 - | \$ 53,246 | \$ - 0 - |
| NET CHANGE IN FUND BALANCE | \$ 495,879 | \$ 848,014 | \$ 138,971 |
| BEGINNING FUND BALANCE | 5,370,318 | 4,522,304 | 4,383,333 |
| ENDING FUND BALANCE | \$ 5,866,197 | \$ 5,370,318 | \$ 4,522,304 |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | |
|---------------------|---------------------|------------------------------|----------------|----------------|----------------|----------------|
| 2022 | 2021 | 2025 | 2024 | 2023 | 2022 | 2021 |
| \$ 1,022,335 | \$ 962,899 | 43.8 % | 40.9 % | 37.0 % | 36.0 % | 35.4 % |
| 459,113 | 420,604 | 14.5 | 14.2 | 14.7 | 16.1 | 15.5 |
| 503,701 | 488,181 | 16.1 | 14.8 | 15.9 | 17.7 | 17.9 |
| 823,976 | 746,441 | 17.4 | 22.2 | 26.0 | 29.0 | 27.4 |
| 20,596 | 19,578 | 0.5 | 0.5 | 0.6 | 0.7 | 0.7 |
| 940 | 69,905 | | | | | 2.6 |
| 12,928 | 2,240 | 7.7 | 7.4 | 5.8 | 0.5 | 0.1 |
| 532 | 11,237 | | | | | 0.4 |
| <u>\$ 2,844,121</u> | <u>\$ 2,721,085</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| | | | | | | |
| \$ 120,345 | \$ 103,403 | 5.1 % | 6.4 % | 6.0 % | 4.2 % | 3.8 % |
| 552,232 | 508,158 | 25.9 | 20.8 | 19.5 | 19.4 | 18.7 |
| 120,387 | 116,976 | 3.5 | 3.2 | 5.1 | 4.2 | 4.3 |
| 840,710 | 746,555 | 17.4 | 20.8 | 23.4 | 29.6 | 27.4 |
| 378,325 | 394,726 | 16.9 | 11.7 | 14.9 | 13.3 | 14.5 |
| 212,338 | 172,379 | 6.4 | 5.7 | 6.8 | 7.5 | 6.3 |
| 1,016 | | | | | | |
| 70,961 | 907,767 | 9.0 | 8.0 | 19.8 | 2.5 | 33.4 |
| <u>\$ 2,296,314</u> | <u>\$ 2,949,964</u> | <u>84.2 %</u> | <u>76.6 %</u> | <u>95.5 %</u> | <u>80.7 %</u> | <u>108.4 %</u> |
| | | | | | | |
| \$ 547,807 | \$ (228,879) | 15.8 % | 23.4 % | 4.5 % | 19.3 % | (8.4) % |
| | | | | | | |
| \$ 599,331 | \$ - 0 - | | | | | |
| | | | | | | |
| \$ 1,147,138 | \$ (228,879) | | | | | |
| 3,236,195 | 3,465,074 | | | | | |
| <u>\$ 4,383,333</u> | <u>\$ 3,236,195</u> | | | | | |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

| | Amounts | | |
|--|---------------------|---------------------|---------------------|
| | 2025 | 2024 | 2023 |
| REVENUES | | | |
| Property Taxes | \$ 2,575,573 | \$ 2,637,305 | \$ 2,732,091 |
| Penalty and Interest | 21,145 | 18,800 | 10,617 |
| Interest on Investments | 172,598 | 186,867 | 142,071 |
| Miscellaneous Revenues | 12,893 | 239 | 1,552 |
| TOTAL REVENUES | \$ 2,782,209 | \$ 2,843,211 | \$ 2,886,331 |
| EXPENDITURES | | | |
| Tax Collection Expenditures | \$ 68,860 | \$ 67,336 | \$ 58,638 |
| Debt Service Principal | 1,595,000 | 1,540,000 | 1,375,000 |
| Debt Service Interest and Fees | 1,065,268 | 1,108,100 | 1,148,453 |
| Bond Issuance Costs | | | |
| TOTAL EXPENDITURES | \$ 2,729,128 | \$ 2,715,436 | \$ 2,582,091 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | \$ 53,081 | \$ 127,775 | \$ 304,240 |
| OTHER FINANCING SOURCES (USES) | | | |
| Bond Premium | \$ | \$ | \$ |
| Refunding Bonds Issued | | | |
| Payment to Refunded Escrow Agent | | | |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ - 0 - | \$ - 0 - | \$ - 0 - |
| NET CHANGE IN FUND BALANCE | \$ 53,081 | \$ 127,775 | \$ 304,240 |
| BEGINNING FUND BALANCE | 4,673,827 | 4,546,052 | 4,241,812 |
| ENDING FUND BALANCE | \$ 4,726,908 | \$ 4,673,827 | \$ 4,546,052 |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | 1,248 | 1,256 | 1,266 |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | 1,239 | 1,250 | 1,257 |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | |
|---------------------|---------------------|------------------------------|----------------|----------------|----------------|----------------|
| 2022 | 2021 | 2025 | 2024 | 2023 | 2022 | 2021 |
| \$ 2,687,907 | \$ 2,625,674 | 92.5 % | 92.7 % | 94.6 % | 98.9 % | 99.1 % |
| 7,593 | 10,471 | 0.8 | 0.7 | 0.4 | 0.3 | 0.4 |
| 15,906 | 1,977 | 6.2 | 6.6 | 4.9 | 0.6 | 0.1 |
| 6,358 | 10,049 | 0.5 | | 0.1 | 0.2 | 0.4 |
| <u>\$ 2,717,764</u> | <u>\$ 2,648,171</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| \$ 59,220 | \$ 92,341 | 2.5 % | 2.4 % | 2.0 % | 2.2 % | 3.5 % |
| 1,325,000 | 1,220,000 | 57.3 | 54.2 | 47.6 | 48.8 | 46.1 |
| 1,132,051 | 1,193,455 | 38.3 | 39.0 | 39.8 | 41.7 | 45.1 |
| 2,500 | 124,763 | | | | 0.1 | 4.7 |
| <u>\$ 2,518,771</u> | <u>\$ 2,630,559</u> | <u>98.1 %</u> | <u>95.6 %</u> | <u>89.4 %</u> | <u>92.8 %</u> | <u>99.4 %</u> |
| \$ 198,993 | \$ 17,612 | <u>1.9 %</u> | <u>4.4 %</u> | <u>10.6 %</u> | <u>7.2 %</u> | <u>0.6 %</u> |
| \$ | \$ 30,676 | | | | | |
| | 2,345,000 | | | | | |
| | (2,243,106) | | | | | |
| <u>\$ - 0 -</u> | <u>\$ 132,570</u> | | | | | |
| \$ 198,993 | \$ 150,182 | | | | | |
| 4,042,819 | 3,892,637 | | | | | |
| <u>\$ 4,241,812</u> | <u>\$ 4,042,819</u> | | | | | |
| <u>1,258</u> | <u>1,256</u> | | | | | |
| <u>1,249</u> | <u>1,247</u> | | | | | |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2025

District Mailing Address - Harris County Municipal Utility District No. 401
c/o Marks Richardson PC
3700 Buffalo Speedway, Suite 830
Houston, TX 77098

District Telephone Number - (713) 942-9922

| Board Members: | Term of Office (Elected or Appointed) | Fees of Office for the year ended July 31, 2025 | Expense Reimbursements for the year ended July 31, 2025 | Title |
|-----------------------|--|---|---|--|
| Blair Fesler | 05/24 05/28 (Elected) | \$ 6,851 | \$ 1,638 | President |
| Mark Atchison | 05/22 05/26 (Elected) | \$ 6,630 | \$ 2,108 | Vice President |
| Sandee Wright | 05/24 05/28 (Elected) | \$ 7,200 | \$ 2,182 | Secretary |
| Roland Massey | 05/24 05/28 (Elected) | \$ 6,188 | \$ 21 | Assistant Vice President/ Secretary |
| Jordan Thomas | 05/22 05/26 (Elected) | \$ 5,284 | \$ -0- | Assistant Vice President/ Secretary |

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

Submission date of most recent District Registration Form: November 10, 2023

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

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2025

| Consultants: | <u>Date Hired</u> | <u>Fees / Compensation for the year ended July 31, 2025</u> | <u>Title</u> |
|---|-------------------|---|----------------------------|
| Marks Richardson PC | 08/21/17 | \$ 70,327 | General Counsel |
| McCall Gibson Swedlund Barfoot Ellis PLLC | 10/19/05 | \$ 18,000 | Auditor |
| District Data Services, Inc. | 11/12/04 | \$ 19,572 | Bookkeeper |
| Perdue, Brandon, Fielder, Collins & Mott, L.L.P. | 03/15/06 | \$ 2,874 | Delinquent Tax Attorney |
| Vogler & Spencer, Inc. | 12/16/19 | \$ 145,560 | Engineer |
| Masterson Advisors LLC | 05/21/18 | \$ -0- | Financial Advisor |
| Stephanie Viator | 11/15/06 | \$ -0- | Investment Officer |
| Municipal Operations & Consulting, Inc. | 6/17/09 | \$ 555,456 | Operator |
| Bob Leared | 02/16/05 | \$ 26,951 | Tax Assessor/ Collector |

See accompanying independent auditor's report.