




Harris County Municipal Utility District No. 278

Harris County, Texas

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

August 31, 2025



Harris County Municipal Utility District No. 278
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August 31, 2025

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 278
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 278 (District), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of August 31, 2025, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Forvis Mazars, LLP

Houston, Texas
January 9, 2026

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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Management's Discussion and Analysis
Year Ended August 31, 2025

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 29,766,409	\$ 30,380,704
Capital assets	<u>36,348,793</u>	<u>32,931,699</u>
Total assets	<u>66,115,202</u>	<u>63,312,403</u>
Deferred outflows of resources	<u>984,916</u>	<u>1,056,891</u>
Total assets and deferred outflows of resources	<u>\$ 67,100,118</u>	<u>\$ 64,369,294</u>
Long-term liabilities	\$ 47,943,564	\$ 50,260,077
Other liabilities	<u>3,002,075</u>	<u>1,882,578</u>
Total liabilities	<u>50,945,639</u>	<u>52,142,655</u>

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Management's Discussion and Analysis
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Summary of Net Position (Continued)

	<u>2025</u>	<u>2024</u>
Net position		
Net investment in capital assets	\$ 2,725,427	\$ 772,479
Restricted	5,438,286	4,507,443
Unrestricted	<u>7,990,766</u>	<u>6,946,717</u>
Total net position	<u>\$ 16,154,479</u>	<u>\$ 12,226,639</u>

The total net position of the District increased by \$3,927,840, or about 32%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is included in long-term liabilities in the government-wide financial statements, as well as maintenance tax and charges for services revenues exceeding service operating expenses. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes	\$ 5,782,615	\$ 6,057,602
Charges for services	3,976,250	3,691,342
Sale of capacity	-	36,647
Other revenues	<u>2,068,952</u>	<u>2,073,326</u>
Total revenues	<u>11,827,817</u>	<u>11,858,917</u>
Expenses		
Services	5,104,478	4,846,100
Conveyance of capital assets	-	48,612
Depreciation	906,017	916,710
Debt service	<u>1,889,482</u>	<u>1,912,276</u>
Total expenses	<u>7,899,977</u>	<u>7,723,698</u>
Change in net position	3,927,840	4,135,219
Net position, beginning of year	<u>12,226,639</u>	<u>8,091,420</u>
Net position, end of year	<u>\$ 16,154,479</u>	<u>\$ 12,226,639</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2025 were \$26,656,456, a decrease of \$1,737,240 from the prior year.

The general fund's fund balance increased by \$2,017,003 primarily due to property tax and service revenues and investment income exceeding service operations and capital outlay expenditures.

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Management's Discussion and Analysis
Year Ended August 31, 2025

The special revenue fund's fund balance remained the same, as all expenditures were billed to the participants.

The debt service fund's fund balance increased by \$42,110 primarily due to property tax revenues and investment income exceeding bond principal and interest requirements and contracted services expenditures.

The capital projects fund's fund balance decreased by \$3,796,353 primarily due to capital outlay expenditures exceeding investment income.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to tap connection and inspection fee revenues being greater than anticipated and surface water conversion revenues and purchased services, professional fees, and capital outlay expenditures being less than anticipated. In addition, debt issuance costs incurred were not included in the current year budget. The fund balance as of August 31, 2025 was expected to be \$18,491,184, and the actual end-of-year fund balance was \$19,958,982.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 12,114,537	\$ 11,890,321
Construction in progress	4,715,012	616,117
Water facilities	7,733,946	8,065,815
Wastewater facilities	<u>11,785,298</u>	<u>12,359,446</u>
Total capital assets	<u><u>\$ 36,348,793</u></u>	<u><u>\$ 32,931,699</u></u>

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

Construction in progress related to the wastewater treatment plant improvements, Phase I; engineering fees related to water plant No. 2 ground storage tank addition; wastewater treatment plant expansion and improvements, Phases 2 and 3; and lift station generator addition	\$ 4,156,035
Blackstone Creek detention sidewalk	<u>167,076</u>
	<u><u>\$ 4,323,111</u></u>

Debt

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

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Management's Discussion and Analysis
Year Ended August 31, 2025

Long-term debt payable, beginning of year	\$ 50,260,077
Decreases in long-term debt	<u>(2,316,513)</u>
Long-term debt payable, end of year	<u>\$ 47,943,564</u>

At August 31, 2025, the District had \$13,560,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District.

The District's bonds carry underlying ratings of "A+" from Standard & Poor's or "A3" from Moody's Investors Service (Moody's). The Series 2015 refunding and 2018 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Inc. The Series 2016, 2019 and 2021 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2020 refunding and 2021A bonds carry a "AA" rating from Standard & Poor's and an "A1" rating from Moody's by virtue of bond insurance issued by Assured Guaranty Inc.

Other Relevant Factors

Relationship to the City of Houston

The District is located in the City of Houston's (City) extraterritorial jurisdiction, with the exception of 57.6562 acres that are located in the City of Humble's corporate limits. Under existing Texas law, since the District lies primarily within the extraterritorial jurisdiction of the City, the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, except as set forth below.

Effective December 12, 2008, the District entered into a Strategic Partnership Agreement (Agreement) with the City, which annexed certain portions of the District for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes for a period of 30 years from the date of the Agreement, at which time the City has the option to annex the District if it chooses to do so. On December 5, 2017, the Agreement was amended to annex an additional tract of land in the District. The Agreement was amended again on December 11, 2019 to provide options at the end of the original term for the City to negotiate a new agreement, allow the Agreement to lapse, or commence full-purpose annexation.

Harris County Municipal Utility District No. 278
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets							
Cash	\$ 829,969	\$ 90,505	\$ 89,516	\$ 446	\$ 1,010,436	\$ -	\$ 1,010,436
Certificates of deposit	2,115,000	-	940,000	-	3,055,000	-	3,055,000
Short-term investments	18,734,882	-	2,603,884	3,734,290	25,073,056	-	25,073,056
Receivables							
Property taxes	42,254	-	65,624	-	107,878	-	107,878
Service accounts	355,908	-	-	-	355,908	-	355,908
Sales tax rebates	33,737	-	-	-	33,737	-	33,737
Accrued interest receivable	46,181	-	5,866	-	52,047	-	52,047
Interfund receivables	109,035	116,436	-	-	225,471	(225,471)	-
Prepaid expenditures	8,975	-	-	-	8,975	-	8,975
Due from participants	-	62,937	-	-	62,937	-	62,937
Due from others	6,435	-	-	-	6,435	-	6,435
Capital assets (net of accumulated depreciation)							
Land and improvements	-	-	-	-	-	12,114,537	12,114,537
Construction in progress	-	-	-	-	-	4,715,012	4,715,012
Infrastructure	-	-	-	-	-	19,519,244	19,519,244
Total Assets	22,282,376	269,878	3,704,890	3,734,736	29,991,880	36,123,322	66,115,202
Deferred Outflows of Resources							
Deferred amount on debt refundings	-	-	-	-	-	984,916	984,916
Total Assets and Deferred Outflows of Resources	\$ 22,282,376	\$ 269,878	\$ 3,704,890	\$ 3,734,736	\$ 29,991,880	\$ 37,108,238	\$ 67,100,118

Harris County Municipal Utility District No. 278
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2025

(Continued)

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	\$ 741,974	\$ 113,498	\$ 17,488	\$ 271,262	\$ 1,144,222	\$ -	\$ 1,144,222
Customer deposits	368,710	-	-	-	368,710	-	368,710
Operating deposits	-	53,417	-	-	53,417	-	53,417
Retainage payable	-	-	-	381,706	381,706	-	381,706
Due to others	1,054,020	-	-	-	1,054,020	-	1,054,020
Interfund payables	116,436	102,963	6,072	-	225,471	(225,471)	-
Long-term liabilities							
Due within one year	-	-	-	-	-	1,705,000	1,705,000
Due after one year	-	-	-	-	-	46,238,564	46,238,564
Total Liabilities	2,281,140	269,878	23,560	652,968	3,227,546	47,718,093	50,945,639
Deferred Inflows of Resources							
Deferred property tax revenues	42,254	-	65,624	-	107,878	(107,878)	-
Fund Balances/Net Position							
Fund balances							
Nonspendable, prepaid expenditures	8,975	-	-	-	8,975	(8,975)	-
Restricted							
Debt service on unlimited tax bonds	-	-	3,615,706	-	3,615,706	(3,615,706)	-
Water, sewer, and drainage	-	-	-	3,081,768	3,081,768	(3,081,768)	-
Unassigned	19,950,007	-	-	-	19,950,007	(19,950,007)	-
Total fund balances	19,958,982	-	3,615,706	3,081,768	26,656,456	(26,656,456)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 22,282,376	\$ 269,878	\$ 3,704,890	\$ 3,734,736	\$ 29,991,880		
Net position							
Net investment in capital assets						2,725,427	2,725,427
Restricted for debt service						3,681,330	3,681,330
Restricted for capital projects						1,756,956	1,756,956
Unrestricted						7,990,766	7,990,766
Total net position						\$ 16,154,479	\$ 16,154,479

Harris County Municipal Utility District No. 278
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended August 31, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	\$ 2,463,898	\$ -	\$ 3,315,269	\$ -	\$ 5,779,167	\$ 3,448	\$ 5,782,615
City of Houston rebates	147,710	-	-	-	147,710	-	147,710
Water service	1,589,719	-	-	-	1,589,719	-	1,589,719
Sewer service	1,501,201	970,562	-	-	2,471,763	(772,885)	1,698,878
Surface water conversion	687,653	-	-	-	687,653	-	687,653
Penalty and interest	221,498	-	51,721	-	273,219	-	273,219
Tap connection and inspection fees	229,474	-	-	-	229,474	-	229,474
Investment income	905,829	-	227,824	266,130	1,399,783	-	1,399,783
Other income	18,698	-	68	-	18,766	-	18,766
Total Revenues	7,765,680	970,562	3,594,882	266,130	12,597,254	(769,437)	11,827,817
Expenditures/Expenses							
Service operations							
Purchased services	1,560,667	-	-	-	1,560,667	(772,885)	787,782
Lease payments	107,700	-	-	-	107,700	-	107,700
Professional fees	246,013	4,300	22,242	-	272,555	6,545	279,100
Contracted services	1,414,870	84,930	87,488	-	1,587,288	845	1,588,133
Utilities	102,838	160,539	-	-	263,377	-	263,377
Repairs and maintenance	915,311	685,869	-	-	1,601,180	-	1,601,180
Other expenditures	362,161	34,924	14,179	359	411,623	-	411,623
Tap connections	65,583	-	-	-	65,583	-	65,583
Capital outlay	936,534	-	-	4,062,124	4,998,658	(4,998,658)	-
Depreciation	-	-	-	-	-	906,017	906,017
Debt service							
Principal retirement	-	-	1,655,000	-	1,655,000	(1,655,000)	-
Interest and fees	-	-	1,773,863	-	1,773,863	78,619	1,852,482
Debt issuance costs	37,000	-	-	-	37,000	-	37,000
Total Expenditures/Expenses	5,748,677	970,562	3,552,772	4,062,483	14,334,494	(6,434,517)	7,899,977
Excess (Deficiency) of Revenues Over Expenditures	2,017,003	-	42,110	(3,796,353)	(1,737,240)	1,737,240	
Change in Net Position						3,927,840	3,927,840
Fund Balances/Net Position							
Beginning of year	17,941,979	-	3,573,596	6,878,121	28,393,696	-	12,226,639
End of year	<u>\$ 19,958,982</u>	<u>\$ -</u>	<u>\$ 3,615,706</u>	<u>\$ 3,081,768</u>	<u>\$ 26,656,456</u>	<u>\$ -</u>	<u>\$ 16,154,479</u>

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

Harris County Municipal Utility District No. 278 (District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (Commission), effective March 27, 1985, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

Special Revenue Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant fees.

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures, and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services, and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2025 include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2025, the 2024 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

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

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

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

Long-Term Obligations

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

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

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

Net Position/Fund Balances

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

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

Reconciliation of Government-Wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 36,348,793
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	107,878
Deferred amount on debt refundings for governmental activities is not considered financial resources and is not reported in the funds.	984,916
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(47,943,564)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (10,501,977)</u></u>

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

Change in fund balances.	\$ (1,737,240)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense and noncapitalized costs in the current period.	4,085,251

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.

\$ 1,655,000

Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.

3,448

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(78,619)

Change in net position of governmental activities.

\$ 3,927,840

Note 2. Deposits, Investments, and Investment Income

Deposits

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

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

At August 31, 2025, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at net asset value.

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

At August 31, 2025, the District had the following investments and maturities:

Type	Maturities in Years				
	Fair Value	Less Than 1	1–5	6–10	More Than 10
Texas CLASS	<u>\$ 25,073,056</u>	<u>\$ 25,073,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2025, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at August 31, 2025 as follows:

Carrying value	
Deposits	\$ 4,065,436
Investments	<u>25,073,056</u>
Total	<u>\$ 29,138,492</u>

Included in the following statement of net position captions:

Cash	\$ 1,010,436
Certificates of deposit	3,055,000
Short-term investments	<u>25,073,056</u>
Total	<u>\$ 29,138,492</u>

Investment Income

Investment income of \$1,399,783 for the year ended August 31, 2025 consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of August 31, 2025:

- Pooled investments of \$25,073,056 are valued at fair value per share of the pool's underlying portfolio.

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

Note 3. Capital Assets

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

Governmental Activities	Balances, Beginning of Year	Additions	Reclassi- fications	Balances, End of Year
Capital assets, non-depreciable				
Land and improvements	\$ 11,890,321	\$ 167,076	\$ 57,140	\$ 12,114,537
Construction in progress	616,117	4,156,035	(57,140)	4,715,012
Total capital assets, non-depreciable	12,506,438	4,323,111	-	16,829,549
Capital assets, depreciable				
Water production and distribution facilities	13,332,851	-	-	13,332,851
Wastewater collection and treatment facilities	21,678,413	-	-	21,678,413
Total capital assets, depreciable	35,011,264	-	-	35,011,264
Less accumulated depreciation				
Water production and distribution facilities	(5,267,036)	(331,869)	-	(5,598,905)
Wastewater collection and treatment facilities	(9,318,967)	(574,148)	-	(9,893,115)
Total accumulated depreciation	(14,586,003)	(906,017)	-	(15,492,020)
Total governmental activities, net	\$ 32,931,699	\$ 3,417,094	\$ -	\$ 36,348,793

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended August 31, 2025 were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable				
General obligation bonds	\$ 50,090,000	\$ 1,655,000	\$ 48,435,000	\$ 1,705,000
Add premiums on bonds	250,615	24,488	226,127	-
Less discounts on bonds	748,695	31,132	717,563	-
	49,591,920	1,648,356	47,943,564	1,705,000
Due to developer	668,157	668,157	-	-
Total governmental activities long-term liabilities	\$ 50,260,077	\$ 2,316,513	\$ 47,943,564	\$ 1,705,000

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

General Obligation Bonds

	Refunding Series 2015	Series 2016
Amounts outstanding, August 31, 2025	\$17,640,000	\$11,250,000
Interest rates	2.00% to 4.00%	4.00% to 4.25%
Maturity dates, serially beginning/ending	September 1, 2026/2036	September 1, 2026/2043
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2022	September 1, 2023
	Refunding Series 2018	Series 2019
Amounts outstanding, August 31, 2025	\$2,610,000	\$6,025,000
Interest rates	2.25% to 4.00%	3.00% to 5.50%
Maturity dates, serially beginning/ending	September 1, 2026/2037	September 1, 2026/2046
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2023	September 1, 2024
	Refunding Series 2020	Refunding Series 2021
Amounts outstanding, August 31, 2025	\$2,950,000	\$2,355,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2026/2031	September 1, 2026/2038
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2025	September 1, 2026
		Series 2021A
Amount outstanding, August 31, 2025		\$5,605,000
Interest rates		2.500% to 2.625%
Maturity dates, serially beginning/ending		September 1, 2038/2047
Interest payment dates		March 1/September 1
Callable date*		September 1, 2026

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

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

Annual Debt Service Requirements

The District has been paying the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2025:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,705,000	\$ 1,707,263	\$ 3,412,263
2027	1,755,000	1,655,950	3,410,950
2028	1,810,000	1,601,149	3,411,149
2029	1,855,000	1,543,207	3,398,207
2030	1,910,000	1,482,307	3,392,307
2031–2035	11,045,000	6,300,468	17,345,468
2036–2040	11,125,000	4,106,968	15,231,968
2041–2045	11,870,000	1,996,345	13,866,345
2046–2047	5,360,000	222,851	5,582,851
Total	<u>\$ 48,435,000</u>	<u>\$ 20,616,508</u>	<u>\$ 69,051,508</u>

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

Voter-authorized bonds voted	\$ 80,400,000
Bonds sold	66,840,000
Voter-authorized refunding bonds voted	80,400,000
Refunding bond authorization used	2,583,867*

*The District has issued \$46,790,000 of refunding bonds; however, of such amount, \$2,583,867 has been applied to the voter-authorized bonds and the remaining \$44,206,133 has been issued pursuant to Chapter 1207 of the Texas Government Code.

Note 5. Significant Bond Resolution and Commission Requirements

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2025, the District levied an ad valorem debt service tax at the rate of \$0.3900 per \$100 of assessed valuation, which resulted in a tax levy of \$3,315,331 on the taxable valuation of \$850,084,831 for the 2024 tax year. The interest and principal requirements paid from the tax revenues and available resources were \$3,423,613.

Note 6. Maintenance Taxes

At an election held May 1, 1993, voters authorized a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended August 31, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.2900 per \$100 of assessed valuation, which resulted in a tax levy of \$2,465,246 on the taxable valuation of \$850,084,831 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Wastewater Treatment Plant Lease

On November 11, 2015, the District entered into a lease of digester basins, chlorine basin, and associated equipment. The initial lease term was for 60 months with monthly payments of \$12,625 upon substantial completion of the installation, which occurred in December 2016. After the initial term, the lease was extended on a month-to-month basis with monthly payments of \$8,975. During the current year, the District incurred fees of \$107,700 related to the lease.

Note 8. Strategic Partnership Agreement

Effective December 12, 2008, the District and the City of Houston (City) entered into a Strategic Partnership Agreement (Agreement) under which the City annexed a tract of land (tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales and use tax payments by the City, the District agrees to continue to provide and develop water, sewer, and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. On December 5, 2017, the Agreement was amended to annex an additional tract of land in the District. The Agreement was amended again on December 11, 2019 to provide options at the end of the original term for the City to negotiate a new agreement, allow the Agreement to lapse, or commence full-purpose annexation. During the current year, the District recorded \$147,710 in revenues related to the Agreement.

Note 9. Sanitary Sewage Treatment and Disposal Agreement With Harris County

Effective January 8, 2013, and as amended December 5, 2017, the District entered into a 15-year agreement with Harris County to provide capacity to treat wastewater from Harris County at the District's wastewater treatment plant No. 3. Harris County must pay a monthly service fee. Fixed operating costs are shared based on allocated capacity. Variable operating costs are shared based on total amount of waste delivered to the plant by Harris County as a percentage of total waste delivered. Harris County has paid the District a security deposit of \$53,417 as a plant operating reserve.

For the year ended August 31, 2025, the District billed Harris County and the District \$197,677 and \$772,885, respectively.

Note 10. Water Supply Agreement With the City of Houston

The District has entered into a Groundwater Reduction Plan Wholesale Agreement with the City, whereby the City will sell and deliver treated water to the District at the rate set by ordinance by the City for contract-treated customers. As of August 31, 2025, the rate was \$4.57 per thousand gallons, plus \$1.19 per thousand gallons over the minimum requirement. The District paid \$787,782 for purchased water during the fiscal year ended August 31, 2025.

Note 11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Required Supplementary Information

Harris County Municipal Utility District No. 278
Budgetary Comparison Schedule – General Fund
Year Ended August 31, 2025

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 2,795,407	\$ 2,425,659	\$ 2,463,898	\$ 38,239
City of Houston rebates	132,600	132,600	147,710	15,110
Water service	1,669,300	1,669,300	1,589,719	(79,581)
Sewer service	1,560,100	1,560,100	1,501,201	(58,899)
Surface water conversion	1,200,000	1,200,000	687,653	(512,347)
Penalty and interest	211,800	211,800	221,498	9,698
Tap connection and inspection fees	95,100	95,100	229,474	134,374
Investment income	826,700	826,700	905,829	79,129
Other income	10,171	10,171	18,698	8,527
Total Revenues	8,501,178	8,131,430	7,765,680	(365,750)
Expenditures				
Service operations				
Purchased services	1,920,161	1,920,161	1,560,667	359,494
Lease payments	107,700	107,700	107,700	-
Professional fees	432,000	432,000	246,013	185,987
Contracted services	1,400,860	1,400,860	1,414,870	(14,010)
Utilities	113,400	113,400	102,838	10,562
Repairs and maintenance	904,047	904,047	915,311	(11,264)
Other expenditures	352,300	352,300	362,161	(9,861)
Tap connections	23,600	23,600	65,583	(41,983)
Capital outlay	1,664,000	2,332,157	936,534	1,395,623
Debt service, debt issuance costs	-	-	37,000	(37,000)
Total Expenditures	6,918,068	7,586,225	5,748,677	1,837,548
Excess of Revenues Over Expenditures	1,583,110	545,205	2,017,003	1,471,798
Other Financing Sources				
Interfund transfers in	-	4,000	-	(4,000)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,583,110	549,205	2,017,003	1,467,798
Fund Balance, Beginning of Year	17,941,979	17,941,979	17,941,979	-
Fund Balance, End of Year	\$ 19,525,089	\$ 18,491,184	\$ 19,958,982	\$ 1,467,798

Harris County Municipal Utility District No. 278
Budgetary Comparison Schedule – Special Revenue Fund
Year Ended August 31, 2025

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service fees	\$ 990,355	\$ 970,562	\$ (19,793)
Other income	15	-	(15)
Total Revenues	990,370	970,562	(19,808)
Expenditures			
Service operations			
Professional fees	20,000	4,300	15,700
Contracted services	89,080	84,930	4,150
Utilities	183,400	160,539	22,861
Repairs and maintenance	662,840	685,869	(23,029)
Other expenditures	35,050	34,924	126
Total Expenditures	990,370	970,562	19,808
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -

Budgets and Budgetary Accounting

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

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

Supplementary Information

Harris County Municipal Utility District No. 278
Other Schedules Included Within This Report
August 31, 2025

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11–22
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedules of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel, and Consultants

Harris County Municipal Utility District No. 278
Schedule of Services and Rates
Year Ended August 31, 2025

1. Services provided by the District

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

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels	
Water:	\$ 25.70	1,000	N	\$ 1.25	1,001 to	5,000
				\$ 2.25	5,001 to	10,000
				\$ 3.25	10,001 to	20,000
				\$ 4.25	20,001 to	No Limit
Wastewater:	\$ 35.85	0	Y			
City of Houston GRP fee:	\$ 3.15	1	N	\$ 3.15	1 to	No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 73.45	Wastewater \$ 35.85	

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	3,184	3,150	x1.0	3,150
1"	96	96	x2.5	240
1 1/2"	19	14	x5.0	70
2"	31	31	x8.0	248
3"	-	-	x15.0	-
4"	1	1	x25.0	25
6"	2	2	x50.0	100
8"	1	1	x80.0	80
10"	-	-	x115.0	-
Total water	3,334	3,295		3,913
Total wastewater	3,290	3,254	x1.0	3,254

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

Gallons pumped into the system:	295,073
Gallons billed to customers:	272,407
Water accountability ratio (gallons billed/gallons pumped):	92.32%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 278
Schedule of General Fund Expenditures
Year Ended August 31, 2025

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 29,500	
Legal	143,769	
Engineering	72,744	
Financial advisor	-	246,013
Purchased Services for Resale		
Bulk water and wastewater service purchases		1,560,667
Regional Water Fee		-
Contracted Services		
Bookkeeping	84,979	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	3,360	
Other contracted services	268,345	356,684
Utilities		102,838
Repairs and Maintenance		915,311
Administrative Expenditures		
Directors' fees	27,567	
Office supplies	38,173	
Insurance	59,629	
Other administrative expenditures	236,792	362,161
Capital Outlay		
Capitalized assets	268,377	
Expenditures not capitalized	668,157	936,534
Tap Connection Expenditures		65,583
Solid Waste Disposal		1,058,186
Lease Payments		107,700
Parks and Recreation		-
Other Expenditures		37,000
Total Expenditures		<u>\$ 5,748,677</u>

Harris County Municipal Utility District No. 278
Schedule of Temporary Investments
August 31, 2025

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 3031000510	4.00%	12/31/25	\$ 235,000	\$ 3,812
No. 12064	4.25%	07/03/26	235,000	1,614
No. 4205746	4.00%	06/27/26	235,000	1,674
No. 2000000495	4.14%	12/26/25	235,000	4,078
No. 440068466	4.56%	09/14/25	235,000	4,844
No. 108958	4.07%	05/14/26	235,000	2,856
No. 6000072675	4.75%	10/13/25	235,000	9,695
No. 9009006040	4.65%	10/11/25	235,000	9,700
No. 6550147085	4.25%	11/15/25	235,000	7,908
Texas CLASS	4.38%	Demand	16,606,285	-
Texas CLASS	4.38%	Demand	1,599,890	-
Texas CLASS	4.38%	Demand	528,707	-
			<u>20,849,882</u>	<u>46,181</u>
Debt Service Fund				
Certificates of Deposit				
No. 440068465	4.56%	09/14/25	235,000	4,844
No. 6000525634	4.15%	08/18/26	235,000	347
No. 6002400109	4.05%	07/15/26	235,000	313
No. 6550156289	4.32%	02/18/26	235,000	362
Texas CLASS	4.38%	Demand	2,603,884	-
			<u>3,543,884</u>	<u>5,866</u>
Capital Projects Fund				
Texas CLASS	4.38%	Demand	3,734,290	-
Totals			<u>\$ 28,128,056</u>	<u>\$ 52,047</u>

Harris County Municipal Utility District No. 278
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2025

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 41,879	\$ 62,551
Additions and corrections to prior years' taxes	(973)	3,011
Adjusted Receivable, Beginning of Year	40,906	65,562
2024 Original Tax Levy	2,288,426	3,077,538
Additions and corrections	176,820	237,793
Adjusted tax levy	2,465,246	3,315,331
Total to Be Accounted For	2,506,152	3,380,893
Tax collections: Current year	(2,442,815)	(3,285,165)
Prior years	(21,083)	(30,104)
Receivable, End of Year	<u>\$ 42,254</u>	<u>\$ 65,624</u>
Receivable, by Years		
2024	\$ 22,431	\$ 30,166
2023	5,779	7,043
2022	4,270	5,275
2021	3,220	4,141
2020	1,514	3,574
2019	708	1,626
2018	493	1,144
2017	1,388	3,146
2016	771	1,877
2015	335	1,072
2014	229	1,156
2013	197	1,279
2012	179	1,162
2011	194	817
2010	190	777
2009	255	990
2006	101	379
Receivable, End of Year	<u>\$ 42,254</u>	<u>\$ 65,624</u>

Harris County Municipal Utility District No. 278
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2025

(Continued)

	2024	2023	2022	2021
Property Valuations				
Land	\$ 234,590,317	\$ 124,750,882	\$ 119,890,205	\$ 113,688,412
Improvements	755,671,321	887,740,744	765,327,224	599,054,340
Personal property	18,016,964	14,975,546	15,393,029	11,174,810
Exemptions	<u>(158,193,771)</u>	<u>(170,517,267)</u>	<u>(124,375,151)</u>	<u>(56,390,666)</u>
Total Property Valuations	<u>\$ 850,084,831</u>	<u>\$ 856,949,905</u>	<u>\$ 776,235,307</u>	<u>\$ 667,526,896</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.3900	\$ 0.3900	\$ 0.4200	\$ 0.4500
Maintenance tax rates*	<u>0.2900</u>	<u>0.3200</u>	<u>0.3400</u>	<u>0.3500</u>
Total Tax Rates Per \$100 valuation	<u>\$ 0.6800</u>	<u>\$ 0.7100</u>	<u>\$ 0.7600</u>	<u>\$ 0.8000</u>
Tax Levy	<u>\$ 5,780,577</u>	<u>\$ 6,084,344</u>	<u>\$ 5,899,388</u>	<u>\$ 5,340,215</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.00 on May 1, 1993

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

Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

Due During Fiscal Years Ending August 31	Refunding Series 2015		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 1,075,000	\$ 681,569	\$ 1,756,569
2027	1,115,000	646,631	1,761,631
2028	1,155,000	607,606	1,762,606
2029	1,190,000	565,738	1,755,738
2030	1,235,000	521,113	1,756,113
2031	1,280,000	474,800	1,754,800
2032	1,955,000	423,600	2,378,600
2033	2,035,000	345,400	2,380,400
2034	2,120,000	264,000	2,384,000
2035	2,210,000	179,200	2,389,200
2036	2,270,000	90,800	2,360,800
Totals	<u>\$ 17,640,000</u>	<u>\$ 4,800,457</u>	<u>\$ 22,440,457</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

(Continued)

Due During Fiscal Years Ending August 31	Series 2016		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 50,000	\$ 476,875	\$ 526,875
2027	50,000	474,875	524,875
2028	50,000	472,875	522,875
2029	50,000	470,875	520,875
2030	50,000	468,875	518,875
2031	50,000	466,875	516,875
2032	50,000	464,875	514,875
2033	50,000	462,875	512,875
2034	50,000	460,875	510,875
2035	50,000	458,875	508,875
2036	50,000	456,875	506,875
2037	50,000	454,750	504,750
2038	475,000	452,625	927,625
2039	1,850,000	432,438	2,282,438
2040	1,950,000	353,812	2,303,812
2041	2,025,000	270,938	2,295,938
2042	2,125,000	184,875	2,309,875
2043	2,225,000	94,562	2,319,562
Totals	<u>\$ 11,250,000</u>	<u>\$ 7,379,625</u>	<u>\$ 18,629,625</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

(Continued)

Due During Fiscal Years Ending August 31	Refunding Series 2018		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 55,000	\$ 104,400	\$ 159,400
2027	55,000	102,200	157,200
2028	55,000	100,000	155,000
2029	55,000	97,800	152,800
2030	55,000	95,600	150,600
2031	55,000	93,400	148,400
2032	80,000	91,200	171,200
2033	80,000	88,000	168,000
2034	80,000	84,800	164,800
2035	75,000	81,600	156,600
2036	75,000	78,600	153,600
2037	1,890,000	75,600	1,965,600
Totals	<u>\$ 2,610,000</u>	<u>\$ 1,093,200</u>	<u>\$ 3,703,200</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

(Continued)

Due During Fiscal Years Ending August 31	Series 2019		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 25,000	\$ 192,469	\$ 217,469
2027	25,000	191,094	216,094
2028	25,000	189,718	214,718
2029	25,000	188,344	213,344
2030	25,000	186,969	211,969
2031	25,000	185,593	210,593
2032	25,000	184,219	209,219
2033	25,000	182,844	207,844
2034	25,000	181,468	206,468
2035	25,000	180,719	205,719
2036	25,000	179,969	204,969
2037	25,000	179,218	204,218
2038	50,000	178,469	228,469
2039	50,000	176,969	226,969
2040	50,000	175,468	225,468
2041	50,000	173,969	223,969
2042	50,000	172,469	222,469
2043	100,000	170,969	270,969
2044	1,400,000	167,969	1,567,969
2045	1,825,000	124,219	1,949,219
2046	2,150,000	67,188	2,217,188
Totals	<u>\$ 6,025,000</u>	<u>\$ 3,630,313</u>	<u>\$ 9,655,313</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

(Continued)

Due During Fiscal Years Ending August 31	Refunding Series 2020		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 460,000	\$ 59,000	\$ 519,000
2027	470,000	49,800	519,800
2028	485,000	40,400	525,400
2029	500,000	30,700	530,700
2030	510,000	20,700	530,700
2031	525,000	10,500	535,500
Totals	<u>\$ 2,950,000</u>	<u>\$ 211,100</u>	<u>\$ 3,161,100</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

(Continued)

Due During Fiscal Years Ending August 31	Refunding Series 2021		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 40,000	\$ 47,900	\$ 87,900
2027	40,000	46,300	86,300
2028	40,000	45,500	85,500
2029	35,000	44,700	79,700
2030	35,000	44,000	79,000
2031	35,000	43,300	78,300
2032	35,000	42,600	77,600
2033	35,000	41,900	76,900
2034	35,000	41,200	76,200
2035	35,000	40,500	75,500
2036	35,000	39,800	74,800
2037	675,000	39,100	714,100
2038	1,280,000	25,600	1,305,600
Totals	<u>\$ 2,355,000</u>	<u>\$ 542,400</u>	<u>\$ 2,897,400</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

(Continued)

Due During Fiscal Years Ending August 31	Series 2021A		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ -	\$ 145,050	\$ 145,050
2027	-	145,050	145,050
2028	-	145,050	145,050
2029	-	145,050	145,050
2030	-	145,050	145,050
2031	-	145,050	145,050
2032	-	145,050	145,050
2033	-	145,050	145,050
2034	-	145,050	145,050
2035	-	145,050	145,050
2036	-	145,050	145,050
2037	-	145,050	145,050
2038	110,000	145,050	255,050
2039	115,000	142,300	257,300
2040	100,000	139,425	239,425
2041	110,000	136,925	246,925
2042	105,000	134,175	239,175
2043	50,000	131,550	181,550
2044	1,075,000	130,300	1,205,300
2045	730,000	103,425	833,425
2046	490,000	84,263	574,263
2047	2,720,000	71,400	2,791,400
Totals	<u>\$ 5,605,000</u>	<u>\$ 2,959,413</u>	<u>\$ 8,564,413</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

(Continued)

Due During Fiscal Years Ending August 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 1,705,000	\$ 1,707,263	\$ 3,412,263
2027	1,755,000	1,655,950	3,410,950
2028	1,810,000	1,601,149	3,411,149
2029	1,855,000	1,543,207	3,398,207
2030	1,910,000	1,482,307	3,392,307
2031	1,970,000	1,419,518	3,389,518
2032	2,145,000	1,351,544	3,496,544
2033	2,225,000	1,266,069	3,491,069
2034	2,310,000	1,177,393	3,487,393
2035	2,395,000	1,085,944	3,480,944
2036	2,455,000	991,094	3,446,094
2037	2,640,000	893,718	3,533,718
2038	1,915,000	801,744	2,716,744
2039	2,015,000	751,707	2,766,707
2040	2,100,000	668,705	2,768,705
2041	2,185,000	581,832	2,766,832
2042	2,280,000	491,519	2,771,519
2043	2,375,000	397,081	2,772,081
2044	2,475,000	298,269	2,773,269
2045	2,555,000	227,644	2,782,644
2046	2,640,000	151,451	2,791,451
2047	2,720,000	71,400	2,791,400
Totals	<u>\$ 48,435,000</u>	<u>\$ 20,616,508</u>	<u>\$ 69,051,508</u>

Harris County Municipal Utility District No. 278
Changes in Long-Term Bonded Debt
Year Ended August 31, 2025

	Bond			
	Refunding Series 2015	Series 2016	Refunding Series 2018	Series 2019
Interest rates	2.00% to 4.00%	4.00% to 4.25%	2.25% to 4.00%	3.00% to 5.50%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	September 1, 2026/2036	September 1, 2026/2043	September 1, 2026/2037	September 1, 2026/2046
Bonds outstanding, beginning of current year	\$ 18,685,000	\$ 11,300,000	\$ 2,665,000	\$ 6,050,000
Retirements, principal	1,045,000	50,000	55,000	25,000
Bonds outstanding, end of current year	<u>\$ 17,640,000</u>	<u>\$ 11,250,000</u>	<u>\$ 2,610,000</u>	<u>\$ 6,025,000</u>
Interest paid during current year	<u>\$ 718,144</u>	<u>\$ 478,875</u>	<u>\$ 106,600</u>	<u>\$ 193,844</u>
Paying agent's name and address				
Series 2015R – The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2016 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2018R – The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2019 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2020R – The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2021R – The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2021A – The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Bond authority				
	Tax Bonds	Other Bonds	Refunding Bonds	
Amount authorized by voters	\$ 80,400,000	\$ -	\$ 80,400,000	
Amount of voter authorized issued bonds	\$ 66,840,000	\$ -	\$ 2,583,867 *	
Voter authorized but unissued bonds	\$ 13,560,000	\$ -	\$ 77,816,133	
Debt service fund cash and temporary investment balances as of August 31, 2025:				\$ 3,633,400
Average annual debt service payment (principal and interest) for remaining term of all debt:				<u>\$ 3,138,705</u>

*The District has issued \$46,790,000 of refunding bonds; however, of such amount, \$2,583,867 has been applied to the voter-authorized bonds and the remaining \$44,206,133 has been issued pursuant to Chapter 1207 of the Texas Government Code.

Issues

Refunding Series 2020	Refunding Series 2021	Series 2021A	Totals
2.00% to 4.00%	2.00% to 4.00%	2.500% to 2.625%	
March 1/ September 1	March 1/ September 1	March 1/ September 1	
September 1, 2026/2031	September 1, 2026/2038	September 1, 2038/2047	
\$ 3,395,000	\$ 2,390,000	\$ 5,605,000	\$ 50,090,000
445,000	35,000	-	1,655,000
<u>\$ 2,950,000</u>	<u>\$ 2,355,000</u>	<u>\$ 5,605,000</u>	<u>\$ 48,435,000</u>
<u>\$ 76,800</u>	<u>\$ 49,300</u>	<u>\$ 145,050</u>	<u>\$ 1,768,613</u>

Harris County Municipal Utility District No. 278
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended August 31,

	Amounts				
	2025	2024	2023	2022	2021
General Fund					
Revenues					
Property taxes	\$ 2,463,898	\$ 2,716,655	\$ 2,635,197	\$ 2,330,290	\$ 1,564,811
City of Houston rebates	147,710	128,480	121,650	118,273	110,426
Water service	1,589,719	1,570,524	1,466,598	1,372,851	1,277,590
Sewer service	1,501,201	1,473,659	1,369,418	1,300,227	1,259,846
Surface water conversion	687,653	462,293	458,098	443,229	408,459
Penalty and interest	221,498	206,814	206,569	192,409	150,296
Tap connection and inspection fees	229,474	90,990	129,850	102,380	165,618
Investment income	905,829	943,828	649,923	66,113	33,698
Other income	18,698	10,188	12,629	4,630	5,380
Sale of capacity	-	36,647	-	-	-
Total Revenues	7,765,680	7,640,078	7,049,932	5,930,402	4,976,124
Expenditures					
Service operations					
Purchased services	1,560,667	1,533,222	1,380,216	917,199	835,178
Lease payments	107,700	107,700	107,700	125,950	151,500
Professional fees	246,013	293,900	324,303	359,289	330,127
Contracted services	1,414,870	1,347,392	1,119,736	910,277	877,305
Utilities	102,838	102,928	94,256	110,868	87,535
Repairs and maintenance	915,311	753,028	698,679	751,176	810,584
Other expenditures	362,161	347,632	343,644	279,136	195,756
Tap connections	65,583	22,485	38,819	38,788	43,393
Capital outlay	936,534	124,909	170,264	244,926	95,432
Debt service, debt issuance costs	37,000	3,000	-	-	20,568
Total Expenditures	5,748,677	4,636,196	4,277,617	3,737,609	3,447,378
Excess of Revenues Over Expenditures	2,017,003	3,003,882	2,772,315	2,192,793	1,528,746
Other Financing Sources (Uses)					
Interfund transfers in (out)	-	(20,836)	-	53,752	-
Proceeds from insurance	-	37,240	-	-	-
Reimbursement from other governmental agency	-	-	-	100,000	-
Total Other Financing Sources	-	16,404	-	153,752	-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2,017,003	3,020,286	2,772,315	2,346,545	1,528,746
Fund Balance, Beginning of Year	17,941,979	14,921,693	12,149,378	9,802,833	8,274,087
Fund Balance, End of Year	\$ 19,958,982	\$ 17,941,979	\$ 14,921,693	\$ 12,149,378	\$ 9,802,833
Total Active Retail Water Connections	3,295	3,303	3,303	3,289	3,222
Total Active Retail Wastewater Connections	3,254	3,263	3,264	3,154	3,189

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
31.7 %	35.6 %	37.4 %	39.3 %	31.5 %
1.9	1.7	1.7	2.0	2.2
20.5	20.6	20.8	23.1	25.7
19.3	19.3	19.4	21.9	25.3
8.9	6.0	6.5	7.5	8.2
2.8	2.7	2.9	3.3	3.0
3.0	1.2	1.9	1.7	3.3
11.7	12.3	9.2	1.1	0.7
0.2	0.1	0.2	0.1	0.1
-	0.5	-	-	-
100.0	100.0	100.0	100.0	100.0
20.1	20.1	19.6	15.5	16.8
1.4	1.4	1.5	2.1	3.1
3.2	3.9	4.6	6.1	6.6
18.2	17.6	15.9	15.3	17.6
1.3	1.3	1.3	1.8	1.8
11.8	9.9	9.9	12.7	16.3
4.6	4.6	4.9	4.7	3.9
0.8	0.3	0.6	0.7	0.9
12.1	1.6	2.4	4.1	1.9
0.5	0.0	-	-	0.4
74.0	60.7	60.7	63.0	69.3
26.0 %	39.3 %	39.3 %	37.0 %	30.7 %

Harris County Municipal Utility District No. 278
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended August 31,

	Amounts				
	2025	2024	2023	2022	2021
Debt Service Fund					
Revenues					
Property taxes	\$ 3,315,269	\$ 3,311,415	\$ 3,261,342	\$ 3,007,113	\$ 3,692,899
Penalty and interest	51,721	50,949	48,807	42,501	36,403
Investment income	227,824	271,104	227,311	27,589	21,864
Other income	68	-	-	-	-
Total Revenues	3,594,882	3,633,468	3,537,460	3,077,203	3,751,166
Expenditures					
Current					
Professional fees	22,242	11,972	14,288	14,207	13,725
Contracted services	87,488	97,763	79,904	83,742	93,452
Other expenditures	14,179	17,370	17,582	8,168	7,656
Debt service					
Principal retirement	1,655,000	1,600,000	1,525,000	1,455,000	1,435,000
Interest and fees	1,773,863	1,833,913	1,892,288	1,914,074	1,836,099
Debt issuance costs	-	-	-	-	160,157
Debt defeasance	-	-	-	-	2,000
Total Expenditures	3,552,772	3,561,018	3,529,062	3,475,191	3,548,089
Excess (Deficiency) of Revenues Over Expenditures	42,110	72,450	8,398	(397,988)	203,077
Other Financing Sources (Uses)					
General obligation bonds issued	-	-	-	-	3,205,000
Deposit with escrow agent	-	-	-	-	(3,099,559)
Premium on debt issued	-	-	-	-	58,140
Interfund transfers in	-	20,836	-	-	-
Total Other Financing Sources	-	20,836	-	-	163,581
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	42,110	93,286	8,398	(397,988)	366,658
Fund Balance, Beginning of Year	3,573,596	3,480,310	3,471,912	3,869,900	3,503,242
Fund Balance, End of Year	\$ 3,615,706	\$ 3,573,596	\$ 3,480,310	\$ 3,471,912	\$ 3,869,900

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
92.2 %	91.1 %	92.2 %	97.7 %	98.4 %
1.5	1.4	1.4	1.4	1.0
6.3	7.5	6.4	0.9	0.6
0.0	-	-	-	-
100.0	100.0	100.0	100.0	100.0
0.6	0.3	0.4	0.4	0.4
2.4	2.7	2.3	2.7	2.5
0.4	0.5	0.5	0.3	0.2
46.0	44.0	43.1	47.3	38.2
49.4	50.5	53.5	62.2	48.9
-	-	-	-	4.3
-	-	-	-	0.1
98.8	98.0	99.8	112.9	94.6
1.2 %	2.0 %	0.2 %	(12.9) %	5.4 %

Harris County Municipal Utility District No. 278
Board Members, Key Personnel, and Consultants
Year Ended August 31, 2025

Complete District mailing address:	Harris County Municipal Utility District No. 278 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 9, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
B. Eugene Newsom	Elected 05/22– 05/26	\$ 7,200	\$ 23,891	President
Tommie Ruth Allen	Elected 05/24– 05/28	5,967	1,722	Vice President
Gwendolyn Thornburg	Elected 05/22– 05/26	7,200	8,891	Secretary
Shantai Magee	Elected 05/22– 05/26	7,200	18,416	Assistant Vice President

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

**Harris County Municipal Utility District No. 278
Board Members, Key Personnel, and Consultants
Year Ended August 31, 2025**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	01/01/17	\$ 187,689	General Counsel
Assessments of the Southwest, Inc.	01/01/86	51,135	Tax Assessor/ Collector
BGE, Inc.	03/08/12	460,502	Engineer
Forvis Mazars, LLP	08/31/93	33,800	Auditor
Harris Central Appraisal District	Legislative Action	42,812	Appraiser
Municipal Accounts & Consulting, L.P.	04/10/03	110,588	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	01/10/97	22,242	Delinquent Tax Attorney
Rathmann & Associates, L.P.	02/01/93	-	Financial Advisor
Si Environmental, LLC	05/10/12	1,159,528	Operator
Investment Officers			
Mark M. Burton and Ghia Lewis	07/08/04	N/A	Bookkeepers