

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2023

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
MARCH 31, 2023

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 501
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. 501 (the "District") as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Harris County Municipal Utility District No. 501

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 PLLC
Certified Public Accountants
Houston, Texas

July 5, 2023

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

Management’s discussion and analysis of the financial performance of Harris County Municipal Utility District No. 501 (the “District”) provides an overview of the District’s financial activities for the year ended March 31, 2023. 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 the District’s assets and liabilities 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 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 contractual debt and bond debt. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs. This fund was closed during the current fiscal year.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$10,036,044 as of March 31, 2023. A portion of the District's net position reflects its net investment in capital assets which consist of water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 13,789,226	\$ 12,765,953	\$ 1,023,273
Capital Assets (Net of Accumulated Depreciation)	17,870,796	18,355,031	(484,235)
Total Assets	\$ 31,660,022	\$ 31,120,984	\$ 539,038
Due to Developers	\$	\$ 1,309,024	\$ 1,309,024
Bonds Payable	20,934,765	21,699,898	765,133
Other Liabilities	689,213	597,376	(91,837)
Total Liabilities	\$ 21,623,978	\$ 23,606,298	\$ 1,982,320
Net Position:			
Net Investment in Capital Assets	\$ (3,063,969)	\$ (3,602,913)	\$ 538,944
Restricted	8,455,937	6,937,491	1,518,446
Unrestricted	4,644,076	4,180,108	463,968
Total Net Position	\$ 10,036,044	\$ 7,514,686	\$ 2,521,358

The following table provides a summary of the District's operations for the years ended March 31, 2023, and March 31, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 7,973,238	\$ 7,105,703	\$ 867,535
Charges for Services	2,784,007	2,180,078	603,929
Other Revenues	278,798	6,622	272,176
Total Revenues	\$ 11,036,043	\$ 9,292,403	\$ 1,743,640
Expenses for Services	8,514,685	7,888,212	(626,473)
Change in Net Position	\$ 2,521,358	\$ 1,404,191	\$ 1,117,167
Net Position, Beginning of Year	7,514,686	6,110,495	1,404,191
Net Position, End of Year	\$ 10,036,044	\$ 7,514,686	\$ 2,521,358

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2023, were \$12,926,373, an increase of \$799,996 from the prior year.

The General Fund fund balance increased by \$457,382, primarily due to tax and service revenues exceeding the costs of operating and maintaining the District's facilities.

The Debt Service Fund fund balance increased by \$1,393,592, primarily due to the structure of the District's outstanding debt and its obligation related to the Master District contract debt.

The Capital Projects Fund fund balance decreased by \$1,050,978. The Capital Projects Fund transferred the entire fund balance totaling \$1,054,586 to the General Fund to facilitate the reimbursement of liabilities owed to the Developer (see Note 3).

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget during the fiscal year. Actual revenues were \$701,160 more than budgeted revenues, actual expenditures were \$1,638,342 more than budgeted expenditures and unbudgeted transfers in were \$1,054,586. This resulted in a positive variance of \$117,404. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of March 31, 2023, total \$17,870,796. See Notes 3 and 13 for more information regarding the District's acquisition of certain utility infrastructure using escrowed funds, surplus bond funds and surplus maintenance tax revenues which occurred during the current fiscal year.

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Subject to Depreciation:			
Water System	\$ 4,301,544	\$ 4,301,544	\$
Wastewater System	7,913,923	7,913,923	
Drainage System	9,575,092	9,575,092	
Less Accumulated Depreciation	(3,919,763)	(3,435,528)	(484,235)
Total Net Capital Assets	\$ 17,870,796	\$ 18,355,031	\$ (484,235)

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

LONG-TERM DEBT

At year-end, the District had total bond debt payable of \$21,275,000. The changes in the debt position of the District during the fiscal year ended March 31, 2023, are summarized as follows:

Bond Debt Payable, April 1, 2022	\$ 22,060,000
Less: Bond Principal Paid	<u>785,000</u>
Bond Debt Payable, March 31, 2023	<u>\$ 21,275,000</u>

The District’s Series 2014 and Series 2015 Bonds are rated “AA” by Standard & Poor’s and “A1” by Moody’s based on policies issued by Assured Guaranty Municipal Corp. and the District’s Series 2017 Bonds are rated “AA” by Standard & Poor’s based on a policy issued by Build America Mutual Assurance Company. The District also had an underlying rating of “A3” by Moody’s. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 501, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2023

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 186,787	\$ 162,019
Investments	4,888,386	8,191,447
Receivables:		
Property Taxes	11,077	201,595
Penalty and Interest on Delinquent Taxes		
Service Accounts	122,718	
Due from Other Funds	30,559	
Prepaid Costs	3,888	
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 5,243,415	\$ 8,555,061
LIABILITIES		
Accounts Payable	\$ 62,544	\$
Accrued Interest Payable		
Due to Other Funds		30,559
Due to Taxpayers		29,533
Due to Other Governmental Entity	204,231	
Security Deposits	332,564	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 599,339	\$ 60,092
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 11,077	\$ 201,595
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 3,888	\$
Restricted for Debt Service		2,789,564
Restricted for Master District Contract Debt		5,503,810
Unassigned	4,629,111	
TOTAL FUND BALANCES	\$ 4,632,999	\$ 8,293,374
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,243,415	\$ 8,555,061
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.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 348,806	\$	\$ 348,806
13,079,833		13,079,833
212,672		212,672
	21,309	21,309
122,718		122,718
30,559	(30,559)	
3,888		3,888
	<u>17,870,796</u>	<u>17,870,796</u>
<u>\$ 13,798,476</u>	<u>\$ 17,861,546</u>	<u>\$ 31,660,022</u>
\$ 62,544	\$	\$ 62,544
	60,341	60,341
30,559	(30,559)	
29,533		29,533
204,231		204,231
332,564		332,564
	810,000	810,000
	<u>20,124,765</u>	<u>20,124,765</u>
<u>\$ 659,431</u>	<u>\$ 20,964,547</u>	<u>\$ 21,623,978</u>
\$ 212,672	\$ (212,672)	\$ - 0 -
\$ 3,888	\$ (3,888)	\$
2,789,564	(2,789,564)	
5,503,810	(5,503,810)	
4,629,111	(4,629,111)	
<u>\$ 12,926,373</u>	<u>\$ (12,926,373)</u>	<u>\$ - 0 -</u>
<u>\$ 13,798,476</u>		
	\$ (3,063,969)	\$ (3,063,969)
	8,455,937	8,455,937
	<u>4,644,076</u>	<u>4,644,076</u>
	<u>\$ 10,036,044</u>	<u>\$ 10,036,044</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2023**

Total Fund Balances - Governmental Funds	\$	12,926,373
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets are not current financial resources and, therefore, are not reported as assets in governmental funds.		17,870,796
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District.		233,981
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. These liabilities at year end consist of:</p>		
Accrued Interest Payable	\$ (60,341)	
Bonds Payable	<u>(20,934,765)</u>	<u>(20,995,106)</u>
Total Net Position - Governmental Activities	\$	<u>10,036,044</u>

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2023

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 422,205	\$ 7,432,417
Water Service	791,276	
Wastewater Service	569,132	
Water Authority Fees	1,130,777	
Penalty and Interest	24,691	26,325
Tap Connection and Inspection Fees	230,773	
Investment and Miscellaneous Revenues	117,533	157,657
TOTAL REVENUES	\$ 3,286,387	\$ 7,616,399
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 146,079	\$ 2,398
Contracted Services	470,358	84,135
Purchased Water and Wastewater Service	571,428	
Water Authority Assessments	1,080,415	
Repairs and Maintenance	87,771	
Depreciation		
Other	218,516	10,437
Capital Outlay	1,309,024	
Debt Service:		
Bond Principal		785,000
Bond Interest		734,838
Contractual Obligation		4,605,999
TOTAL EXPENDITURES/EXPENSES	\$ 3,883,591	\$ 6,222,807
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ (597,204)	\$ 1,393,592
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	\$ 1,054,586	\$ - 0 -
NET CHANGE IN FUND BALANCES	\$ 457,382	\$ 1,393,592
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2022	4,175,617	6,899,782
FUND BALANCES/NET POSITION - MARCH 31, 2023	\$ 4,632,999	\$ 8,293,374

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 Activities</u>
\$	\$ 7,854,622	\$ 118,616	\$ 7,973,238
	791,276		791,276
	569,132		569,132
	1,130,777		1,130,777
	51,016	11,033	62,049
	230,773		230,773
<u>3,608</u>	<u>278,798</u>		<u>278,798</u>
<u>\$ 3,608</u>	<u>\$ 10,906,394</u>	<u>\$ 129,649</u>	<u>\$ 11,036,043</u>
\$	\$ 148,477	\$	\$ 148,477
	554,493		554,493
	571,428		571,428
	1,080,415		1,080,415
	87,771		87,771
		484,235	484,235
	228,953		228,953
	1,309,024	(1,309,024)	
	785,000	(785,000)	
	734,838	18,076	752,914
	<u>4,605,999</u>		<u>4,605,999</u>
<u>\$ - 0 -</u>	<u>\$ 10,106,398</u>	<u>\$ (1,591,713)</u>	<u>\$ 8,514,685</u>
<u>\$ 3,608</u>	<u>\$ 799,996</u>	<u>\$ 1,721,362</u>	<u>\$ 2,521,358</u>
<u>\$ (1,054,586)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
\$ (1,050,978)	\$ 799,996	\$ (799,996)	\$
		2,521,358	2,521,358
<u>1,050,978</u>	<u>12,126,377</u>	<u>(4,611,691)</u>	<u>7,514,686</u>
<u>\$ - 0 -</u>	<u>\$ 12,926,373</u>	<u>\$ (2,890,329)</u>	<u>\$ 10,036,044</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$	799,996
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues and penalty and interest revenues on delinquent taxes when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied and the penalty and interest are assessed.		129,649
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(484,235)
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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.		1,309,024
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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.		785,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(18,076)
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Change in Net Position - Governmental Activities	\$	<u>2,521,358</u>
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The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 501 (the “District”) was created effective August 15, 2007, 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, as amended, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, drainage, solid waste collection and disposal, including recycling, and to construct parks, recreational facilities and roads for the residents of the District. The District is located within the extraterritorial jurisdiction of the City of Houston, Texas. The Board of Directors held its first meeting on August 24, 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 an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

The District and other districts have contracted with Harris County Municipal Utility District No. 500 in its capacity as Master District (the “Master District”) for the financing, operation, and maintenance of regional water, sanitary sewer, drainage, road, and recreational facilities. These facilities are under the oversight of the Master District’s Board of Directors and financial activity of the Master District has been included in the financial statements of the District as a note disclosure (see Note 9). Copies of the financial statements for the Master District may be obtained from Harris County Municipal Utility District No. 500, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

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”).

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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:

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

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

Government-Wide Financial Statements

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

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 contractual debt, 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. This fund was closed during the current fiscal year.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

timely basis. At year end, the Debt Service Fund owed the General Fund \$25,559 for maintenance tax collections and \$5,000 for arbitrage costs. The Capital Projects Fund transferred \$1,054,586 to the General Fund closing out the Capital Projects Fund.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets reported in the government-wide Statement of Net Position. 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
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

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 budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

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

Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances, resolutions, or motions 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 and 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3. LONG-TERM DEBT

	Series 2014	Series 2015	Series 2017
Amount Outstanding – March 31, 2023	\$10,575,000	\$6,020,000	\$4,680,000
Interest Rates	2.50%-4.00%	2.25%-4.00%	3.00%-3.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2039	September 1, 2023/2041	September 1, 2023/2041
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Date	September 1, 2022*	September 1, 2023**	September 1, 2025***

* Or any date thereafter, in whole or in part, at a price equal to the principal amount to be redeemed plus accrued interest from the most recent interest payment date to the date fixed for redemption. Term bonds maturing on September 1, 2034, 2036, and 2039 are subject to mandatory redemption beginning September 1, 2033, 2035, and 2037, respectively.

**Or any date thereafter, in whole or in part, at a price equal to the principal amount to be redeemed plus accrued interest from the most recent interest payment date to the date fixed for redemption.

***Or any date thereafter, in whole or in part, at a price equal to the principal amount to be redeemed plus accrued interest from the most recent interest payment date to the date fixed for redemption. Term bonds maturing on September 1, 2033, 2036, 2039, and 2041 are subject to mandatory redemption beginning September 1, 2032, 2034, 2037, and 2040, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding the changes in bonds payable for the year ended March 31, 2023:

	April 1, 2022	Additions	Retirements	March 31, 2023
Bonds Payable	\$ 22,060,000	\$	\$ 785,000	\$ 21,275,000
Unamortized Discounts	(393,095)		(21,609)	(371,486)
Unamortized Premium	32,993		1,742	31,251
Bonds Payable, Net	\$ 21,699,898	\$ -0-	\$ 765,133	\$ 20,934,765
			Amount Due Within One Year	\$ 810,000
			Amount Due After One Year	20,124,765
			Bonds Payable, Net	\$ 20,934,765

As of March 31, 2023, the District had authorized but unissued bonds in the amount of \$165,545,000 for water, sewer and drainage facilities, \$66,810,000 for roads and \$10,200,000 for recreational facilities. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

As of March 31, 2023, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 810,000	\$ 712,000	\$ 1,522,000
2025	835,000	688,156	1,523,156
2026	865,000	664,112	1,529,112
2027	890,000	639,051	1,529,051
2028	920,000	612,926	1,532,926
2029-2033	5,095,000	2,610,363	7,705,363
2034-2038	6,080,000	1,661,728	7,741,728
2039-2042	5,780,000	443,239	6,223,239
	\$ 21,275,000	\$ 8,031,575	\$ 29,306,575

During the year ended March 31, 2023, the District levied an ad valorem debt service tax rate of \$0.20 per \$100 of assessed valuation, which resulted in a tax levy of \$1,716,021 on the adjusted taxable valuation of \$858,010,674 for the 2022 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 the maintenance tax levy and Note 8 for the contract tax levy.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

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.

Unreimbursed Costs

The District has entered into financing agreements with Developers. The agreements call for the Developers to fund costs associated with water, sewer, drainage, park and road facilities until such time as the District can sell bonds to reimburse the Developers. Current year reimbursements were made from surplus bond funds (see also Note 13). The District plans to reimburse an estimated additional amount of \$55,000 during fiscal year end 2024. The changes in amounts owed to Developers is summarized in the following table:

Due to Developers, April 1, 2022	\$	1,309,024
Less: Current Year Reimbursements		<u>1,309,024</u>
Due to Developers, March 31, 2023	\$	<u><u>- 0 -</u></u>

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

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 debt proceeds, 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 each five-year anniversary of the issuance of the bonds.

The bond resolutions state that the District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information 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.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$348,806 and the bank balance was \$342,283. The District was not exposed to custodial credit risk at year end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2023, as listed below:

	Cash
GENERAL FUND	\$ 186,787
DEBT SERVICE FUND	162,019
TOTAL DEPOSITS	\$ 348,806

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of March 31, 2023, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 4,888,386	\$ 4,888,386
<u>DEBT SERVICE FUND</u>		
TexPool	8,191,447	8,191,447
TOTAL INVESTMENTS	\$ 13,079,833	\$ 13,079,833

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2023, the District's investment in TexPool was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool 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, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of contractual debt, bond debt, and the cost of assessing and collecting taxes.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2023, is as follows:

	April 1, 2022	Increases	Decreases	March 31, 2023
Capital Assets Subject to Depreciation				
Water System	\$ 4,301,544	\$	\$	\$ 4,301,544
Wastewater System	7,913,923			7,913,923
Drainage System	<u>9,575,092</u>			<u>9,575,092</u>
Total Capital Assets Subject to Depreciation	<u>\$ 21,790,559</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 21,790,559</u>
Less Accumulated Depreciation				
Water System	\$ 692,644	\$ 95,590	\$	\$ 788,234
Wastewater System	1,267,172	175,865		1,443,037
Drainage System	<u>1,475,712</u>	<u>212,780</u>		<u>1,688,492</u>
Total Accumulated Depreciation	<u>\$ 3,435,528</u>	<u>\$ 484,235</u>	<u>\$ - 0 -</u>	<u>\$ 3,919,763</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,355,031</u>	<u>\$ (484,235)</u>	<u>\$ - 0 -</u>	<u>\$ 17,870,796</u>

NOTE 7. MAINTENANCE TAX

On November 6, 2007, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures for operations and maintenance of the District. During the year ended March 31, 2023, the District levied an ad valorem maintenance tax rate of \$0.05 per \$100 of assessed valuation, which resulted in a tax levy of \$429,005 on the adjusted taxable valuation of \$858,010,674 for the 2022 tax year.

On November 4, 2008, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District for purposes of constructing and maintaining roads within the District.

NOTE 8. CONTRACT TAX

The voters in the District have approved the levy and collection of an annual contract tax imposed on all taxable property within the boundaries of the District in an unlimited amount per \$100 of assessed valuation for purposes of making payments to the Master District for the debt service requirements of the Master District's water, sewer, drainage, road, and park contract

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 8. CONTRACT TAX (Continued)

revenue bonds, and for monthly charges associated with the services from the Master District's water, sewer, drainage, road, and park facilities (see Note 9). During the current fiscal year, the District levied an ad valorem contract tax rate of \$0.6789 per \$100 of assessed valuation, which resulted in a tax levy of \$5,825,035 on the adjusted taxable valuation of \$858,010,674 for the 2022 tax year. The District made contractual payments of \$4,605,999 during the current fiscal year.

NOTE 9. CONTRACT FOR FINANCING, OPERATION AND MAINTENANCE OF REGIONAL FACILITIES

Harris County Municipal Utility District No. 500 as Master District (the "Master District") executed a 40-year contract with the District for the financing, operation and maintenance of the Master District's regional water, wastewater and drainage facilities as well as park and road facilities. The contract was amended November 3, 2010, October 15, 2013, December 3, 2014, and May 6, 2020. The Master District administers the contract for the Participants which include the District, Harris County Municipal Utility District No. 500 (as Internal District), Harris County Municipal Utility District No. 502, and Harris County Municipal Utility District No. 503 (collectively, the "Participants").

Each Participant has contracted with the Master District to provide, receive, and transport its water supply, sanitary waste, and storm waters through the Master District facilities. The Master District has also assumed the responsibility of providing regional parks and major roadways. The Master District owns and operates the Master District facilities, except to the extent roadways and storm sewers are accepted for maintenance by Harris County or other governmental entities.

The Master District finances the Master District facilities through the issuance of Master District contract revenue bonds. The Master District has the authority to issue water, wastewater and drainage bonds not to exceed \$754,660,000, road bonds not to exceed \$350,600,000 and park bonds not to exceed \$64,550,000. Each Participant is responsible for its pro rata share of the debt service requirements on the Master District contract revenue bonds. As of March 31, 2023, the Master District has authorized but unissued water, wastewater and drainage bonds of \$635,655,000, road bonds of \$310,240,000 and park bonds of \$52,870,000.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 9. CONTRACT FOR FINANCING, OPERATION AND MAINTENANCE OF REGIONAL FACILITIES (Continued)

As of March 31, 2023, the debt service requirements on the Master District’s contract revenue bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,470,000	\$ 4,945,726	\$ 9,415,726
2025	4,620,000	4,849,457	9,469,457
2026	4,775,000	4,693,868	9,468,868
2027	4,935,000	4,528,785	9,463,785
2028	5,095,000	4,355,060	9,450,060
2029-2033	28,045,000	19,269,630	47,314,630
2034-2038	33,305,000	14,391,055	47,696,055
2039-2043	40,270,000	8,165,979	48,435,979
2044-2048	<u>26,015,000</u>	<u>1,693,142</u>	<u>27,708,142</u>
	<u>\$ 151,530,000</u>	<u>\$ 66,892,702</u>	<u>\$ 218,422,702</u>

The Master District prepares an operating budget annually. The budget is based on annual estimates provided by each Participant to the Master District for waste discharge, water usage and connections. The Master District has established a reserve equivalent to three months of operation and maintenance expenses. As of March 31, 2023, the Master District had enough funds on hand to meet this requirement.

Each Participant’s monthly bill is determined by multiplying the total number of equivalent single-family residential connections (ESFC) reserved for the Participant on the first day of the previous month by the unit cost per ESFC shown in the budget for each Participant. The rate in effect was \$27 per ESFC during the current fiscal year. The Master District separates the Authority fees from the monthly per connection charges and bills such Authority fees to each Participant monthly based upon that Participant’s actual water usage plus an additional 5% for flushing and other non-metered water usage.

As of the fiscal year end the rate charged to each participant for the Authority surface water fees was \$4.56 (\$4.35 plus 5%) per 1,000 gallons of water. The District recorded expenditures of \$571,428 for purchased water and wastewater services and \$1,080,415 for Water Authority assessments in the current fiscal year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 9. CONTRACT FOR FINANCING, OPERATION AND MAINTENANCE OF REGIONAL FACILITIES (Continued)

The following summary audited financial data for the regional facilities is presented for the year ended March 31, 2023:

	Master District Enterprise Fund
Total Assets	\$ 136,577,352
Total Deferred Outflows of Resources	1,262,653
Total Liabilities	<u>(156,688,966)</u>
Total Net Position	<u>\$ (18,848,961)</u>
Total Operating Revenues	\$ 3,719,227
Total Operating Expenses	<u>7,252,304</u>
Operating Income (Loss)	<u>\$ (3,533,077)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 3,473,584</u>
Change in Net Position	\$ (59,493)
Net Position – April 1, 2022	<u>(18,789,468)</u>
Net Position – March 31, 2023	<u>\$ (18,848,961)</u>

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

On December 12, 2008, the City of Houston (the City), the Towne Lake Management District (the “MMD”) and the District entered into a Strategic Partnership Agreement (Agreement). The Agreement provides for the annexation into the City of a tract of land in the District for limited purposes for the imposition of the City’s Sales and Use Tax. The City shall pay to the MMD an amount equal to 50% of the City’s Sales and Use Tax revenues received by the City and generated within the boundaries of the tract. The District agrees to pay to the City an annual fee of \$100 for the provision of municipal services provided in lieu of full purpose annexation. The City agrees to not annex or attempt to annex the District for full purposes unless it simultaneously annexes for full purposes Harris County Municipal Utility District Nos. 500, 501 and 503. The term of this agreement is 30 years from the effective date.

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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 12. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act, as amended, empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. As of January 1, 2023, the fees per 1,000 gallons of surface water and groundwater delivered from the Authority were \$4.35 and \$3.95, respectively. Surface water and groundwater costs are included in the amounts paid to the Master District for purchased water services.

**NOTE 13. ESCROW REQUIREMENTS, RELEASE FROM ESCROW,
AND USE OF SURPLUS FUNDS**

By Order dated January 6, 2017, the Commission directed that a total of \$3,102,280 from the proceeds of the sale of Bonds be placed in escrow to be used for the construction of water, wastewater and drainage facilities plus storm water compliance activities for Towne Lake, Sections 39, 41, 44 and Towne Lake Section 39 replat. The Commission previously approved the following releases from escrow: on October 29, 2018, the release of \$452,922 from escrow; on September 23, 2019, the release of \$1,302,672 from escrow; on February 25, 2020, the release of \$818,219 from escrow; and on February 26, 2021, the release of \$329,610 from escrow.

On April 21, 2022, the Commission approved the release of the remaining funds from escrow plus the use of additional surplus funds and surplus maintenance tax revenues to pay for construction costs associated with water, wastewater, and drainage facilities serving Greenhouse Commercial, Phase 2 and water, wastewater, and drainage facilities serving Towne Lake, Section 60. Total reimbursement, including developer interest, was \$1,309,024.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2023

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 332,092	\$ 422,205	\$ 90,113
Water Service	714,000	791,276	77,276
Wastewater Service	561,000	569,132	8,132
Water Authority Fees	875,000	1,130,777	255,777
Penalty and Interest	19,000	24,691	5,691
Tap Connection and Inspection Fees	83,320	230,773	147,453
Investment and Miscellaneous Revenues	815	117,533	116,718
TOTAL REVENUES	<u>\$ 2,585,227</u>	<u>\$ 3,286,387</u>	<u>\$ 701,160</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 157,000	\$ 146,079	\$ 10,921
Contracted Services	362,100	470,358	(108,258)
Purchased Water and Wastewater Service	555,984	571,428	(15,444)
Water Authority Assessments	875,000	1,080,415	(205,415)
Repairs and Maintenance	135,020	87,771	47,249
Other	160,145	218,516	(58,371)
Capital Outlay	_____	1,309,024	(1,309,024)
TOTAL EXPENDITURES	<u>\$ 2,245,249</u>	<u>\$ 3,883,591</u>	<u>\$ (1,638,342)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 339,978</u>	<u>\$ (597,204)</u>	<u>\$ (937,182)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ -0-	\$ 1,054,586	\$ 1,054,586
NET CHANGE IN FUND BALANCE	\$ 339,978	\$ 457,382	\$ 117,404
FUND BALANCE - APRIL 1, 2022	4,175,617	4,175,617	_____
FUND BALANCE - MARCH 31, 2023	<u>\$ 4,515,595</u>	<u>\$ 4,632,999</u>	<u>\$ 117,404</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
MARCH 31, 2023

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2023

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

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

2. RETAIL SERVICE PROVIDERS

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

The following rates are based on the rate order approved January 4, 2023.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 22.00	7,000	N	\$ 2.25	7,001 to 15,000
				\$ 2.50	15,001 to 25,000
				\$ 3.00	25,001 and up
WASTEWATER:	\$30.00 ⁽¹⁾		Y		

SURCHARGE:

Commission	
Regulatory Assessments	Included in the rates above
Water Authority Fees	110% of the surface water fee charged by the WHCRWA

District employs winter averaging for wastewater usage? _____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$28.75 Wastewater: \$30.00 Surcharge: \$47.90

(1) Includes the cost of trash pick up

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2023

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	1,210	1,203	x 1.0	1,203
1"	338	337	x 2.5	843
1½"	2	2	x 5.0	10
2"	9	9	x 8.0	72
3"	1	1	x 15.0	15
4"			x 25.0	
6"	3	3	x 50.0	150
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water Connections	<u>1,564</u>	<u>1,556</u>		<u>2,373</u>
Total Wastewater Connections	<u>1,526</u>	<u>1,518</u>	x 1.0	<u>1,518</u>

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

Gallons billed to customers: 248,647,000 Water Accountability Ratio: 98.9%

Gallons Purchased: * From: West Harris County RWA

* The District, along with Harris County Municipal Utility District No. 500 (Internal District) and Harris County Municipal Utility District No. 502, receives water from the Harris County Municipal Utility District No. 500 Master District. Harris County Municipal Utility District No. 503 has not yet begun purchasing water from the Master District. The Master District purchases water from the West Harris County Regional Water Authority and, from time to time, Remington Municipal Utility District No. 1 and Harris County Municipal Utility District No. 196 via emergency interconnects. Gallons purchased is calculated using gallons billed to District customers divided by total gallons billed to all participants times the total gallons purchased by the Master District.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2023

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2023

PROFESSIONAL FEES:	
Audit and Agreed-Upon Procedures	\$ 22,000
Engineering	23,637
Legal	<u>100,442</u>
TOTAL PROFESSIONAL FEES	<u>\$ 146,079</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water and Wastewater Service	\$ 571,428
Water Authority Assessments	<u>1,080,415</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,651,843</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 19,305
Operations and Billing	48,816
Solid Waste Disposal	324,637
Security	<u>77,600</u>
TOTAL CONTRACTED SERVICES	<u>\$ 470,358</u>
REPAIRS AND MAINTENANCE	<u>\$ 87,771</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 18,750
Insurance	5,833
Office Supplies and Postage	24,230
Website, Travel and Other	<u>26,723</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 75,536</u>
CAPITAL OUTLAY	<u>\$ 1,309,024</u>
OTHER EXPENDITURES:	
Chemicals	\$ 1,400
Laboratory Fees	3,763
Permit Fees	1,117
Connection and Inspection Fees	130,195
Regulatory Assessment	<u>6,505</u>
TOTAL OTHER EXPENDITURES	<u>\$ 142,980</u>
TOTAL EXPENDITURES	<u>\$ 3,883,591</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
INVESTMENTS
MARCH 31, 2023

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 4,888,386	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 2,687,637	\$
TexPool	XXXX0004	Varies	Daily	5,503,810	
TOTAL DEBT SERVICE FUND				<u>\$ 8,191,447</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 13,079,833</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2023

	Maintenance Taxes		Contract Taxes		Debt Service Taxes	
TAXES RECEIVABLE - APRIL 1, 2022	\$ 4,491		\$ 67,606		\$ 21,959	
Adjustments to Beginning Balance	<u>(214)</u>	\$ 4,277	<u>2,952</u>	\$ 70,558	<u>439</u>	\$ 22,398
Original 2022 Tax Levy	\$ 407,271		\$ 5,529,930		\$ 1,629,085	
Adjustment to 2022 Tax Levy	<u>21,734</u>	<u>429,005</u>	<u>295,105</u>	<u>5,825,035</u>	<u>86,936</u>	<u>1,716,021</u>
TOTAL TO BE ACCOUNTED FOR		\$ 433,282		\$ 5,895,593		\$ 1,738,419
TAX COLLECTIONS:						
Prior Years	\$ 2,996		\$ 47,780		\$ 15,771	
Current Year	<u>419,209</u>	<u>422,205</u>	<u>5,692,028</u>	<u>5,739,808</u>	<u>1,676,838</u>	<u>1,692,609</u>
TAXES RECEIVABLE - MARCH 31, 2023		<u>\$ 11,077</u>		<u>\$ 155,785</u>		<u>\$ 45,810</u>
TAXES RECEIVABLE BY YEAR:						
2022		\$ 9,796		\$ 133,007		\$ 39,183
2021		224		3,184		1,076
2020		90		2,812		895
2019		163		5,244		1,629
2018		84		5,175		1,406
2017		16		3,061		777
2016		<u>704</u>		<u>3,302</u>		<u>844</u>
TOTAL		<u>\$ 11,077</u>		<u>\$ 155,785</u>		<u>\$ 45,810</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2023

	2022	2021	2020	2019
PROPERTY VALUATIONS:				
Land	\$ 206,396,454	\$ 198,074,597	\$ 168,071,971	\$ 154,630,041
Improvements	874,554,498	629,271,061	553,811,901	518,451,057
Personal Property	12,282,516	4,843,256	3,276,762	4,473,355
Exemptions	<u>(235,222,794)</u>	<u>(119,826,876)</u>	<u>(100,503,281)</u>	<u>(103,416,416)</u>
TOTAL PROPERTY VALUATIONS	<u><u>\$ 858,010,674</u></u>	<u><u>\$ 712,362,038</u></u>	<u><u>\$ 624,657,353</u></u>	<u><u>\$ 574,138,037</u></u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.2000	\$ 0.24	\$ 0.250	\$ 0.250
Contract	0.6789	0.71	0.785	0.805
Maintenance	<u>0.0500</u>	<u>0.05</u>	<u>0.025</u>	<u>0.025</u>
TOTAL TAX RATES PER \$100 VALUATION	<u><u>\$ 0.9289</u></u>	<u><u>\$ 1.00</u></u>	<u><u>\$ 1.060</u></u>	<u><u>\$ 1.080</u></u>
ADJUSTED TAX LEVY*	<u><u>\$ 7,970,061</u></u>	<u><u>\$ 7,123,620</u></u>	<u><u>\$ 6,621,367</u></u>	<u><u>\$ 6,200,690</u></u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED**	<u><u>97.72 %</u></u>	<u><u>99.94 %</u></u>	<u><u>99.94 %</u></u>	<u><u>99.92 %</u></u>

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

** As of March 31, 2023.

On November 6, 2007, District voters approved an operations maintenance tax rate not to exceed \$1.50 per \$100 of assessed valuation.

On November 4, 2008, District voters approved a road maintenance tax rate not to exceed \$0.25 per \$100 of assessed valuation.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023

S E R I E S - 2 0 1 4				
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2024	\$ 425,000	\$ 363,945	\$	788,945
2025	445,000	351,956		796,956
2026	465,000	338,306		803,306
2027	490,000	323,981		813,981
2028	510,000	308,982		818,982
2029	535,000	292,972		827,972
2030	555,000	275,594		830,594
2031	580,000	256,788		836,788
2032	610,000	236,706		846,706
2033	635,000	215,300		850,300
2034	665,000	192,134		857,134
2035	695,000	167,484		862,484
2036	725,000	141,294		866,294
2037	760,000	113,450		873,450
2038	790,000	83,400		873,400
2039	825,000	51,100		876,100
2040	865,000	17,300		882,300
2041				
2042				
	\$ 10,575,000	\$ 3,730,692	\$	14,305,692

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023

S E R I E S - 2 0 1 5				
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2024	\$ 200,000	\$ 190,218	\$	390,218
2025	205,000	183,912		388,912
2026	220,000	178,994		398,994
2027	230,000	173,507		403,507
2028	240,000	167,482		407,482
2029	250,000	160,894		410,894
2030	265,000	153,481		418,481
2031	280,000	145,306		425,306
2032	290,000	136,756		426,756
2033	305,000	127,641		432,641
2034	320,000	117,676		437,676
2035	335,000	107,032		442,032
2036	355,000	95,597		450,597
2037	370,000	83,362		453,362
2038	390,000	70,293		460,293
2039	410,000	56,293		466,293
2040	430,000	41,325		471,325
2041	450,000	25,375		475,375
2042	475,000	8,609		483,609
	\$ 6,020,000	\$ 2,223,753	\$	8,243,753

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023

S E R I E S - 2 0 1 7				
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2024	\$ 185,000	\$ 157,837	\$	342,837
2025	185,000	152,288		337,288
2026	180,000	146,812		326,812
2027	170,000	141,563		311,563
2028	170,000	136,462		306,462
2029	165,000	131,438		296,438
2030	165,000	126,487		291,487
2031	155,000	121,688		276,688
2032	155,000	117,037		272,037
2033	150,000	112,275		262,275
2034	145,000	107,481		252,481
2035	140,000	102,675		242,675
2036	135,000	97,862		232,862
2037	130,000	93,225		223,225
2038	125,000	88,763		213,763
2039	125,000	84,387		209,387
2040	120,000	80,100		200,100
2041	1,020,000	58,875		1,078,875
2042	1,060,000	19,875		1,079,875
	\$ 4,680,000	\$ 2,077,130	\$	6,757,130

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 810,000	\$ 712,000	\$ 1,522,000
2025	835,000	688,156	1,523,156
2026	865,000	664,112	1,529,112
2027	890,000	639,051	1,529,051
2028	920,000	612,926	1,532,926
2029	950,000	585,304	1,535,304
2030	985,000	555,562	1,540,562
2031	1,015,000	523,782	1,538,782
2032	1,055,000	490,499	1,545,499
2033	1,090,000	455,216	1,545,216
2034	1,130,000	417,291	1,547,291
2035	1,170,000	377,191	1,547,191
2036	1,215,000	334,753	1,549,753
2037	1,260,000	290,037	1,550,037
2038	1,305,000	242,456	1,547,456
2039	1,360,000	191,780	1,551,780
2040	1,415,000	138,725	1,553,725
2041	1,470,000	84,250	1,554,250
2042	1,535,000	28,484	1,563,484
	<u>\$ 21,275,000</u>	<u>\$ 8,031,575</u>	<u>\$ 29,306,575</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2023

Description	Original Bonds Issued	Bonds Outstanding April 1, 2022
Harris County Municipal Utility District No. 501 Unlimited Tax Bonds - Series 2014	\$ 13,100,000	\$ 10,985,000
Harris County Municipal Utility District No. 501 Unlimited Tax Bonds - Series 2015	7,025,000	6,210,000
Harris County Municipal Utility District No. 501 Unlimited Tax Bonds - Series 2017	<u>5,640,000</u>	<u>4,865,000</u>
TOTAL	<u><u>\$ 25,765,000</u></u>	<u><u>\$ 22,060,000</u></u>

Bond Authority:	Water, Sewer, Drainage Facilities	Recreational Facilities	Road Bonds
Amount Authorized by Voters	\$ 191,310,000	\$ 10,200,000	\$ 66,810,000
Amount Issued	<u>25,765,000</u>	<u> </u>	<u> </u>
Remaining to be Issued	<u><u>\$ 165,545,000</u></u>	<u><u>\$ 10,200,000</u></u>	<u><u>\$ 66,810,000</u></u>

Debt Service Fund cash and investment balances (excluding contract tax cash and investment balances) as of March 31, 2023: \$ 2,849,656

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,542,451

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2023</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 410,000	\$ 374,382	\$ 10,575,000	Amegy Bank, N.A. Houston, TX
	190,000	197,068	6,020,000	Amegy Bank, N.A. Houston, TX
	185,000	163,388	4,680,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 785,000</u>	<u>\$ 734,838</u>	<u>\$ 21,275,000</u>	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 422,205	\$ 354,469	\$ 157,353
Water Service	791,276	624,312	647,955
Wastewater Service	569,132	525,537	485,651
Water Authority Fees	1,130,777	798,018	803,176
Penalty and Interest	24,691	16,978	14,650
Tap Connection and Inspection Fees	230,773	189,560	189,955
Investment and Miscellaneous Revenues	<u>117,533</u>	<u>1,645</u>	<u>6,647</u>
TOTAL REVENUES	<u>\$ 3,286,387</u>	<u>\$ 2,510,519</u>	<u>\$ 2,305,387</u>
EXPENDITURES			
Professional Fees	\$ 146,079	\$ 145,049	\$ 166,391
Contracted Services	470,358	337,221	308,794
Purchased Water and Wastewater Services	571,428	545,049	536,256
Water Authority Assessments	1,080,415	765,639	672,167
Repairs and Maintenance	87,771	153,700	547,324
Other	218,516	173,735	198,197
Capital Outlay	<u>1,309,024</u>		
TOTAL EXPENDITURES	<u>\$ 3,883,591</u>	<u>\$ 2,120,393</u>	<u>\$ 2,429,129</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (597,204)</u>	<u>\$ 390,126</u>	<u>\$ (123,742)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ 1,054,586</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 457,382	\$ 390,126	\$ (123,742)
BEGINNING FUND BALANCE	<u>4,175,617</u>	<u>3,785,491</u>	<u>3,909,233</u>
ENDING FUND BALANCE	<u>\$ 4,632,999</u>	<u>\$ 4,175,617</u>	<u>\$ 3,785,491</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 142,055	\$ 79,514	12.8 %	14.0 %	6.9 %	6.6 %	4.4 %
617,264	545,005	24.1	24.9	28.1	28.7	30.4
459,123	431,170	17.3	20.9	21.1	21.3	24.0
706,886	572,586	34.4	31.8	34.8	32.9	31.9
16,599	15,579	0.8	0.7	0.6	0.8	0.9
135,620	79,150	7.0	7.6	8.2	6.3	4.4
73,383	71,734	3.6	0.1	0.3	3.4	4.0
<u>\$ 2,150,930</u>	<u>\$ 1,794,738</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 158,065	\$ 189,303	4.4 %	5.8 %	7.2 %	7.3 %	10.5 %
278,919	245,087	14.3	13.4	13.4	13.0	13.7
569,160	924,100	17.4	21.7	23.3	26.5	51.5
675,322		32.9	30.5	29.2	31.4	
109,510	52,189	2.7	6.1	23.7	5.1	2.9
155,986	146,290	6.6	6.9	8.6	7.3	8.2
		39.8				
<u>\$ 1,946,962</u>	<u>\$ 1,556,969</u>	<u>118.1 %</u>	<u>84.4 %</u>	<u>105.4 %</u>	<u>90.6 %</u>	<u>86.8 %</u>
\$ 203,968	\$ 237,769	<u>(18.1) %</u>	<u>15.6 %</u>	<u>(5.4) %</u>	<u>9.4 %</u>	<u>13.2 %</u>
\$ - 0 -	\$ (100,000)					
\$ 203,968	\$ 137,769					
3,705,265	3,567,496					
<u>\$ 3,909,233</u>	<u>\$ 3,705,265</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property/Contract Taxes	\$ 7,432,417	\$ 6,763,189	\$ 6,514,133
Penalty and Interest	26,325	24,366	38,751
Investment and Miscellaneous Revenues	<u>157,657</u>	<u>4,623</u>	<u>9,766</u>
TOTAL REVENUES	<u>\$ 7,616,399</u>	<u>\$ 6,792,178</u>	<u>\$ 6,562,650</u>
EXPENDITURES			
Other Expenditures	\$ 95,420	\$ 84,336	\$ 90,706
Debt Service Principal	785,000	760,000	740,000
Debt Service Interest and Fees	736,388	757,338	775,263
Contractual Obligation	<u>4,605,999</u>	<u>4,360,712</u>	<u>4,484,357</u>
TOTAL EXPENDITURES	<u>\$ 6,222,807</u>	<u>\$ 5,962,386</u>	<u>\$ 6,090,326</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,393,592</u>	<u>\$ 829,792</u>	<u>\$ 472,324</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 1,393,592	\$ 829,792	\$ 472,324
BEGINNING FUND BALANCE	<u>6,899,782</u>	<u>6,069,990</u>	<u>5,597,666</u>
ENDING FUND BALANCE	<u>\$ 8,293,374</u>	<u>\$ 6,899,782</u>	<u>\$ 6,069,990</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,556</u>	<u>1,489</u>	<u>1,388</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,518</u>	<u>1,456</u>	<u>1,355</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 6,073,770	\$ 6,250,278	97.6 %	99.5 %	99.3 %	97.8 %	97.7 %
55,492	56,710	0.3	0.4	0.6	0.9	0.9
83,808	87,248	2.1	0.1	0.1	1.3	1.4
<u>\$ 6,213,070</u>	<u>\$ 6,394,236</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 91,605	\$ 92,470	1.3 %	1.2 %	1.4 %	1.5 %	1.4 %
715,000	695,000	10.3	11.2	11.3	11.5	10.9
793,462	813,412	9.7	11.2	11.8	12.8	12.7
<u>4,764,675</u>	<u>4,822,860</u>	<u>60.5</u>	<u>64.2</u>	<u>68.3</u>	<u>76.7</u>	<u>75.4</u>
<u>\$ 6,364,742</u>	<u>\$ 6,423,742</u>	<u>81.8 %</u>	<u>87.8 %</u>	<u>92.8 %</u>	<u>102.5 %</u>	<u>100.4 %</u>
<u>\$ (151,672)</u>	<u>\$ (29,506)</u>	<u>18.2 %</u>	<u>12.2 %</u>	<u>7.2 %</u>	<u>(2.5) %</u>	<u>(0.4) %</u>
<u>\$ - 0 -</u>	<u>\$ 100,000</u>					
\$ (151,672)	\$ 70,494					
<u>5,749,338</u>	<u>5,678,844</u>					
<u>\$ 5,597,666</u>	<u>\$ 5,749,338</u>					
<u>1,299</u>	<u>1,205</u>					
<u>1,267</u>	<u>1,176</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2023

District Mailing Address - Harris County Municipal Utility District No. 501
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended March 31, 2023</u>	<u>Expense Reimbursements for the year ended March 31, 2023</u>	<u>Title</u>
Wayne Tyson	05/22 - 05/26 (Elected)	\$ 3,000	\$ 2,259	President
Jonathan Cowen	05/22 - 05/26 (Elected)	\$ 3,300	\$ 14	Vice President
Jared Day	03/22 - 05/24 (Appointed)	\$ 3,450	\$ 2,449	Assistant Vice President
DeBra Edwards	05/22 - 05/26 (Elected)	\$ 4,800	\$ 1,935	Secretary
John Casey	05/20 - 05/24 (Appointed)	\$ 4,200	\$ 54	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants. The District's auditor leases office space from an entity affiliated with the District's Developer.

The submission date of the most recent District Registration Form: July 22, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on August 24, 2007. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2023

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2023</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	08/24/07	\$ 100,442	General Counsel
McCall Gibson Swedlund Barfoot PLLC	04/01/09	\$ 17,500 \$ 4,500	Audit Related/ AUP Related
Myrtle Cruz, Inc.	07/12/22	\$ 14,592	Bookkeeper
F. Matuska, Inc.	10/03/07- 07/12/22	\$ 6,146	Prior Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/05/08	\$ 2,398	Delinquent Tax Attorney
Edminster, Hinshaw, Russ and Associates, Inc.	10/03/07	\$ 23,637	Engineer
RBC Capital Markets	10/03/07	\$ 4,500	Financial Advisor
Mary Jarmon	07/12/22	\$ -0-	Investment Officer
Environmental Development Partners	07/02/08	\$ 285,188	Operator
BLICO, Inc.	10/03/07	\$ 31,687	Tax Assessor/ Collector

See accompanying independent auditor's report.

