

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2023

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502

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ANNUAL FINANCIAL REPORT

MARCH 31, 2023

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	12-13
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	14
NOTES TO THE FINANCIAL STATEMENTS	15-28
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	30
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	32-34
GENERAL FUND EXPENDITURES	35
INVESTMENTS	36
TAXES LEVIED AND RECEIVABLE	37-38
LONG-TERM DEBT SERVICE REQUIREMENTS	39-44
CHANGES IN LONG-TERM BOND DEBT	45-46
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	47-50
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	51-52

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 502
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. 502 (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. 502

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.

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 5, 2023

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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. 502 (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, bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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 \$10,014,013 as of March 31, 2023. A portion of the District's net position reflects its net investment in capital assets which include water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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	\$ 17,524,512	\$ 15,391,464	\$ 2,133,048
Capital Assets (Net of Accumulated Depreciation)	<u>19,778,912</u>	<u>19,170,345</u>	<u>608,567</u>
Total Assets	<u>\$ 37,303,424</u>	<u>\$ 34,561,809</u>	<u>\$ 2,741,615</u>
Due to Developer	\$ 2,862,592	\$ 3,858,454	\$ 995,862
Bonds Payable	23,755,787	24,363,495	607,708
Other Liabilities	<u>671,032</u>	<u>548,416</u>	<u>(122,616)</u>
Total Liabilities	<u>\$ 27,289,411</u>	<u>\$ 28,770,365</u>	<u>\$ 1,480,954</u>
Net Position:			
Net Investment in Capital Assets	\$ (4,405,279)	\$ (4,525,759)	\$ 120,480
Restricted	10,340,853	7,372,569	2,968,284
Unrestricted	<u>4,078,439</u>	<u>2,944,634</u>	<u>1,133,805</u>
Total Net Position	<u>\$ 10,014,013</u>	<u>\$ 5,791,444</u>	<u>\$ 4,222,569</u>

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

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 8,850,192	\$ 7,432,670	\$ 1,417,522
Charges for Services	2,538,119	2,153,345	384,774
Other Revenues	<u>357,639</u>	<u>9,495</u>	<u>348,144</u>
Total Revenues	\$ 11,745,950	\$ 9,595,510	\$ 2,150,440
Expenses for Services	<u>7,523,381</u>	<u>6,561,928</u>	<u>(961,453)</u>
Change in Net Position	\$ 4,222,569	\$ 3,033,582	\$ 1,188,987
Net Position, Beginning of Year	<u>5,791,444</u>	<u>2,757,862</u>	<u>3,033,582</u>
Net Position, End of Year	<u>\$ 10,014,013</u>	<u>\$ 5,791,444</u>	<u>\$ 4,222,569</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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, totaled \$16,615,345, an increase of \$1,983,085.

The General Fund fund balance increased by \$1,134,876, primarily due to property tax revenues and service revenues exceeding the costs of operating and maintaining the District's facilities.

The Debt Service Fund fund balance increased by \$2,939,866, primarily due to the structure of the District's outstanding bond debt as well as the District's debt obligation to the Master District.

The Capital Projects Fund fund balance decreased by \$2,091,657. The District used bond proceeds received in prior years to reimburse its developer.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget during the current fiscal year. Actual revenues were \$722,338 more than budgeted revenues and actual expenditures were \$579,622 more than budgeted expenditures which resulted in a positive variance of \$142,716. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of March 31, 2023, total \$19,778,912 (net of accumulated depreciation) and include land as well as the water, wastewater and drainage systems. Current year capital asset additions included utilities serving Towne Lake Section 63.

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 4,235	\$ 4,235	\$
Capital Assets Subject to Depreciation:			
Water System	3,942,453	3,670,420	272,033
Wastewater System	8,108,384	7,741,655	366,729
Drainage System	9,886,139	9,430,750	455,389
Less Accumulated Depreciation	(2,162,299)	(1,676,715)	(485,584)
Total Net Capital Assets	\$ 19,778,912	\$ 19,170,345	\$ 608,567

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

LONG-TERM DEBT

As of March 31, 2023, the District had bond debt payable of \$23,695,000. The changes in debt position of the District during the year ended March 31, 2023, are summarized as follows:

Bond Debt Payable, April 1, 2022	\$ 24,300,000
Less: Bond Principal Paid	<u>605,000</u>
Bond Debt Payable, March 31, 2023	<u>\$ 23,695,000</u>

The District’s Series 2021 bonds carry underlying rating of “Baa2”. The Series 2018, 2019 and 2021 bonds carry “AA” ratings by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2020 bonds carry an “AA” rating by virtue of bond insurance issued by Assured Guaranty Municipal. 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. 502, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2023

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 483,218	\$ 268,160
Investments	4,116,893	9,912,117
Receivables:		
Property Taxes	33,677	228,759
Service Accounts	118,821	
Penalty and Interest on Delinquent Taxes		
Due from Other Funds	30,168	
Prepaid Costs	5,343	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,788,120	\$ 10,409,036
LIABILITIES		
Accounts Payable	\$ 162,948	\$ 13,714
Accrued Interest Payable		
Due to Other Governmental Units	159,915	
Due to Developer		
Due to Other Funds		30,168
Security Deposits	280,205	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 603,068	\$ 43,882
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 33,677	\$ 228,759
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 5,343	\$
Restricted for Authorized Construction		
Restricted for Contract Debt Service		6,268,534
Restricted for Debt Service		3,867,861
Unassigned	4,146,032	
TOTAL FUND BALANCES	\$ 4,151,375	\$ 10,136,395
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,788,120	\$ 10,409,036
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 1,874,406	\$ 2,625,784	\$	\$ 2,625,784
453,169	14,482,179		14,482,179
	262,436		262,436
	118,821		118,821
		29,949	29,949
	30,168	(30,168)	
	5,343		5,343
		4,235	4,235
		19,774,677	19,774,677
<u>\$ 2,327,575</u>	<u>\$ 17,524,731</u>	<u>\$ 19,778,693</u>	<u>\$ 37,303,424</u>
\$	\$ 176,662	\$	\$ 176,662
		54,250	54,250
	159,915		159,915
		2,862,592	2,862,592
	30,168	(30,168)	
	280,205		280,205
		645,000	645,000
		23,110,787	23,110,787
<u>\$ - 0 -</u>	<u>\$ 646,950</u>	<u>\$ 26,642,461</u>	<u>\$ 27,289,411</u>
<u>\$ - 0 -</u>	<u>\$ 262,436</u>	<u>\$ (262,436)</u>	<u>\$ - 0 -</u>
\$	\$ 5,343	\$ (5,343)	\$
2,327,575	2,327,575	(2,327,575)	
	6,268,534	(6,268,534)	
	3,867,861	(3,867,861)	
	4,146,032	(4,146,032)	
<u>\$ 2,327,575</u>	<u>\$ 16,615,345</u>	<u>\$ (16,615,345)</u>	<u>\$ - 0 -</u>
<u>\$ 2,327,575</u>	<u>\$ 17,524,731</u>		
		\$ (4,405,279)	\$ (4,405,279)
		10,340,853	10,340,853
		4,078,439	4,078,439
		<u>\$ 10,014,013</u>	<u>\$ 10,014,013</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2023**

Total Fund Balances - Governmental Funds	\$ 16,615,345
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are not current financial resources and, therefore, are not reported as assets in governmental funds.	19,778,912
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.	292,385
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Due to Developer	\$ (2,862,592)
Accrued Interest Payable	(54,250)
Bonds Payable	<u>(23,755,787)</u>
	<u>(26,672,629)</u>
Total Net Position - Governmental Activities	<u>\$ 10,014,013</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. 502
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	\$ 1,125,879	\$ 7,700,824
Water Service	703,038	
Wastewater Service	545,449	
Water Authority Fees	964,823	
Penalty and Interest	28,475	49,998
Tap Connection and Inspection Fees	244,265	
Investment and Miscellaneous Revenues	97,204	190,354
TOTAL REVENUES	\$ 3,709,133	\$ 7,941,176
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 145,085	\$ 11,464
Contracted Services	523,089	87,316
Purchased Water and Wastewater Service	567,216	
Water Authority Assessments	958,115	
Repairs and Maintenance	94,812	
Depreciation		
Other	285,940	6,486
Developer Interest		
Capital Outlay		
Debt Service:		
Bond Principal		605,000
Bond Interest		661,724
Contractual Obligation		3,629,320
TOTAL EXPENDITURES/EXPENSES	\$ 2,574,257	\$ 5,001,310
NET CHANGE IN FUND BALANCES	\$ 1,134,876	\$ 2,939,866
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2022	3,016,499	7,196,529
FUND BALANCES/NET POSITION - MARCH 31, 2023	\$ 4,151,375	\$ 10,136,395

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>
\$	\$ 8,826,703	\$ 23,489	\$ 8,850,192
	703,038		703,038
	545,449		545,449
	964,823		964,823
	78,473	2,071	80,544
	244,265		244,265
70,081	357,639		357,639
<u>\$ 70,081</u>	<u>\$ 11,720,390</u>	<u>\$ 25,560</u>	<u>\$ 11,745,950</u>
\$	\$ 156,549	\$	\$ 156,549
	610,405		610,405
	567,216		567,216
	958,115		958,115
	94,812		94,812
		485,584	485,584
	292,426		292,426
71,725	71,725		71,725
2,090,013	2,090,013	(2,090,013)	
	605,000	(605,000)	
	661,724	(4,495)	657,229
	3,629,320		3,629,320
<u>\$ 2,161,738</u>	<u>\$ 9,737,305</u>	<u>\$ (2,213,924)</u>	<u>\$ 7,523,381</u>
\$ (2,091,657)	\$ 1,983,085	\$ (1,983,085)	\$
		4,222,569	4,222,569
4,419,232	14,632,260	(8,840,816)	5,791,444
<u>\$ 2,327,575</u>	<u>\$ 16,615,345</u>	<u>\$ (6,601,332)</u>	<u>\$ 10,014,013</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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	\$ 1,983,085
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	23,489
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	2,071
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.	(485,584)
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.	2,090,013
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments reduce liabilities.	605,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	4,495
Change in Net Position - Governmental Activities	<u>\$ 4,222,569</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 502 (the “District”) was created effective August 16, 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, storm sewer drainage, irrigation, 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 the Master District for the financing, operation, and maintenance of regional water, sanitary sewer, and storm sewer facilities. These facilities are under the oversight of the Master District’s Board of Directors. Financial activity of the Master District has been included in the financial statements of the District as a note disclosure. Copies of the financial statements for the Master District may be obtained from Harris County Municipal Utility District No. 500 Master District, c/o Allen Boone Humphries Robinson L.L.P., 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. 502
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 net position 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 net position that does 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. 502
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. The General Fund accounts for resources not required to be 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, bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of the fiscal year-end, the Debt Service Fund owed the General Fund \$30,168 for maintenance tax collections and bond related costs.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
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.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 are classified in governmental funds 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 or resolutions approved by the Board. The District does not have any committed fund balances.

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

Accounting Estimates

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 3. LONG-TERM DEBT

	<u>Series 2017</u>	<u>Series 2018</u>	<u>Series 2019</u>
Amount Outstanding – March 31, 2023	\$2,155,000	\$4,875,000	\$4,150,000
Interest Rates	2.00%-3.85%	3.00%-4.50%	2.25%-4.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2042	September 1, 2023/2043	September 1, 2023/2044
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Date	September 1, 2025*	September 1, 2023*	September 1, 2024*
	<u>Series 2020</u>	<u>Series 2021</u>	
Amount Outstanding – March 31, 2023	\$6,745,000	\$5,770,000	
Interest Rates	2.00%-4.00%	1.50%-2.25%	
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2045	September 1, 2023/2046	
Interest Payment Dates	September 1/ March 1	September 1/ March 1	
Callable Date	September 1, 2025*	September 1, 2027*	

* 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. Series 2017 term bonds maturing on September 1, 2032, 2034, 2036, 2038, and 2042 are subject to mandatory redemption beginning September 1, 2031, 2033, 2035, 2037, and 2039, respectively. Series 2018 term bonds maturing on September 1, 2033, 2038, and 2043 are subject to mandatory redemption beginning September 1, 2030, 2034, and 2039, respectively. Series 2019 term bonds maturing on September 1, 2033 and 2039 are subject to mandatory redemption beginning September 1, 2032 and 2038, respectively. Series 2020 term bonds maturing on September 1, 2037, 2039, 2041, 2043, and 2045 are subject to mandatory redemption beginning September 1, 2036, 2038, 2040, 2042, and 2044, respectively. Series 2021 term bonds maturing on September 1, 2035, 2037, and 2046 are subject to mandatory redemption beginning September 1, 2034, 2036, and 2042, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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	\$ 24,300,000	\$	\$ 605,000	\$ 23,695,000
Unamortized Discounts	(22,987)		(1,135)	(21,852)
Unamortized Premiums	86,482		3,843	82,639
Bonds Payable, Net	\$ 24,363,495	\$ -0-	\$ 607,708	\$ 23,755,787
			Amount Due Within One Year	\$ 645,000
			Amount Due After One Year	23,110,787
			Bonds Payable, Net	\$ 23,755,787

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

Fiscal Year	Principal	Interest	Total
2024	\$ 645,000	\$ 639,501	\$ 1,284,501
2025	670,000	615,990	1,285,990
2026	700,000	592,376	1,292,376
2027	735,000	571,161	1,306,161
2028	765,000	552,476	1,317,476
2029-2033	4,335,000	2,455,359	6,790,359
2034-2038	5,365,000	1,812,099	7,177,099
2039-2043	6,680,000	983,604	7,663,604
2044-2047	3,800,000	139,230	3,939,230
	\$ 23,695,000	\$ 8,361,796	\$ 32,056,796

As of March 31, 2023, the District had authorized but unissued bonds in the amount of \$143,905,000 for water, sewer and drainage facilities, \$14,800,000 for recreational facilities and \$73,750,000 for road infrastructure. The bond authorizations also include bonds issued for refunding purposes.

During the year ended March 31, 2023, the District levied an ad valorem debt service tax rate of \$0.29 per \$100 of assessed valuation, which resulted in a tax levy of \$2,182,719 on the adjusted taxable valuation of \$752,661,867 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. 502
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.

The District has entered into financing agreements with the Developer which call for the Developer to fund operating advances as well as costs associated with the construction of water, sewer, drainage, park and road facilities until such time as the District can sell bonds to reimburse the Developer. Activity for the current fiscal year is as follows:

Due to Developer, April 1, 2022	\$	3,858,454
Add: Current Year Additions		1,094,151
Less: Current Year Reimbursements		<u>(2,090,013)</u>
Due to Developer, March 31, 2023	\$	<u>2,862,592</u>

NOTE 4. SIGNIFICANT BOND ORDER 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 orders 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. 502
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 \$2,625,784 and the bank balance was \$2,599,464. 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	\$ 483,218
DEBT SERVICE FUND	268,160
CAPITAL PROJECTS FUND	1,874,406
TOTAL DEPOSITS	\$ 2,625,784

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. 502
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	\$ 4,116,893	\$ 4,116,893
<u>DEBT SERVICE FUND</u>		
TexPool	9,912,117	9,912,117
<u>CAPITAL PROJECTS FUND</u>		
TexPool	453,169	453,169
TOTAL INVESTMENTS	\$ 14,482,179	\$ 14,482,179

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.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table:

	April 1, 2022	Increases	Decreases	March 31, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 4,235	\$ - 0 -	\$ - 0 -	\$ 4,235
Capital Assets Subject to Depreciation				
Water System	\$ 3,670,420	\$ 272,033	\$	\$ 3,942,453
Wastewater System	7,741,655	366,729		8,108,384
Drainage System	9,430,750	455,389		9,886,139
Total Capital Assets Subject to Depreciation	<u>\$ 20,842,825</u>	<u>\$ 1,094,151</u>	<u>\$ - 0 -</u>	<u>\$ 21,936,976</u>
Less Accumulated Depreciation				
Water System	\$ 299,883	\$ 86,719	\$	\$ 386,602
Wastewater System	636,432	179,516		815,948
Drainage System	740,400	219,349		959,749
Total Accumulated Depreciation	<u>\$ 1,676,715</u>	<u>\$ 485,584</u>	<u>\$ - 0 -</u>	<u>\$ 2,162,299</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 19,166,110</u>	<u>\$ 608,567</u>	<u>\$ - 0 -</u>	<u>\$ 19,774,677</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 19,170,345</u>	<u>\$ 608,567</u>	<u>\$ - 0 -</u>	<u>\$ 19,778,912</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 District levied an ad valorem maintenance tax rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$1,128,993 on the adjusted taxable valuation of \$752,661,867 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 tax revenue bonds, and for monthly charges associated with the services from the Master District's water, sewer, drainage, road, and park facilities. During the current year, the District levied an ad valorem contract tax rate of \$0.74 per \$100 of assessed valuation, which resulted in a tax levy

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 8. CONTRACT TAX (Continued)

of \$5,569,698 on the adjusted taxable valuation of \$752,661,867 for the 2022 tax year. The District paid \$3,629,320 to the Master District during the year to satisfy its contract debt obligations.

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, May 6, 2020 and entered into by Harris County Municipal Utility District No. 503 on August 3, 2016. The Master District administers the contract for the Participants which include the District, Harris County Municipal Utility District No. 500, Harris County Municipal Utility District No. 501, and Harris County Municipal Utility District No. 503.

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.

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

Fiscal Year	Principal	Interest	Total
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	26,015,000	1,693,142	27,708,142
	<u>\$ 151,530,000</u>	<u>\$ 66,892,702</u>	<u>\$ 218,422,702</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

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

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 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 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 during the current fiscal year was \$27 per ESFC. 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 fees is \$4.56 (\$4.35 plus 5%) per 1,000 gallons of water.

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

	<u>Master District Enterprise Fund</u>
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>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 10. 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 years and settlements have not exceeded coverage in the last three years.

NOTE 11. ESCROW REQUIREMENT AND RELEASE OF ESCROW

The District was directed to escrow Series 2021 bond proceeds totaling \$1,849,504. On November 3, 2022, the District received approval from the Commission for the release of \$1,849,504 from escrow as well as approval to use \$17,490 in surplus funds. These funds were used to reimburse the Developer for the construction of utilities serving Towne Lake Sections 55, 58, 59, and 62.

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 Authority's fees per 1,000 gallons of water were \$4.35 for surface water and \$3.95 for groundwater.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2023

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 1,012,470	\$ 1,125,879	\$ 113,409
Water Service	550,000	703,038	153,038
Wastewater Service	453,000	545,449	92,449
Water Authority Fees	675,000	964,823	289,823
Penalty and Interest	13,000	28,475	15,475
Tap Connection and Inspection Fees	282,750	244,265	(38,485)
Investment and Miscellaneous Revenues	<u>575</u>	<u>97,204</u>	<u>96,629</u>
TOTAL REVENUES	<u>\$ 2,986,795</u>	<u>\$ 3,709,133</u>	<u>\$ 722,338</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 145,500	\$ 145,085	\$ 415
Contracted Services	352,200	523,089	(170,889)
Purchased Water and Wastewater Service	526,500	567,216	(40,716)
Water Authority Assessments	632,700	958,115	(325,415)
Repairs and Maintenance	97,000	94,812	2,188
Other	<u>240,735</u>	<u>285,940</u>	<u>(45,205)</u>
TOTAL EXPENDITURES	<u>\$ 1,994,635</u>	<u>\$ 2,574,257</u>	<u>\$ (579,622)</u>
NET CHANGE IN FUND BALANCE	\$ 992,160	\$ 1,134,876	\$ 142,716
FUND BALANCE - APRIL 1, 2022	<u>3,016,499</u>	<u>3,016,499</u>	<u>_____</u>
FUND BALANCE - MARCH 31, 2023	<u>\$ 4,008,659</u>	<u>\$ 4,151,375</u>	<u>\$ 142,716</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2023

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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	
≤ ³ / ₄ "	<u>1,342</u>	<u>1,342</u>	x 1.0	<u>1,342</u>
1"	<u>213</u>	<u>213</u>	x 2.5	<u>533</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>6</u>	<u>6</u>	x 8.0	<u>48</u>
3"			x 15.0	
4"			x 25.0	
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
10"			x 115.0	
Total Water Connections	<u><u>1,565</u></u>	<u><u>1,565</u></u>		<u><u>2,063</u></u>
Total Wastewater Connections	<u><u>1,551</u></u>	<u><u>1,551</u></u>	x 1.0	<u><u>1,551</u></u>

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

Gallons billed to customers: 220,472,000 Water Accountability Ratio: 99%

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. 501, 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. 502
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. 502
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2023

PROFESSIONAL FEES:	
Audit and Agreed-Upon Procedures	\$ 25,000
Engineering	22,852
Legal	<u>97,233</u>
TOTAL PROFESSIONAL FEES	<u>\$ 145,085</u>
PURCHASED SERVICES FOR RESALE	
Master District Charges	\$ 567,216
Water Authority Assessments	<u>958,115</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,525,331</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 17,022
Operations and Billing	79,590
Solid Waste Disposal	348,877
Security	<u>77,600</u>
TOTAL CONTRACTED SERVICES	<u>\$ 523,089</u>
REPAIRS AND MAINTENANCE	<u>\$ 94,812</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 7,501
Insurance	2,186
Office Supplies and Postage	8,797
Website and Other	<u>28,715</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 47,199</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 2,368
Connection and Inspection Fees	229,326
Regulatory Assessment	5,729
Utilities	<u>1,318</u>
TOTAL OTHER EXPENDITURES	<u>\$ 238,741</u>
TOTAL EXPENDITURES	<u><u>\$ 2,574,257</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
INVESTMENTS
MARCH 31, 2023

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 4,116,893	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 3,643,583	\$
TexPool	XXXX0004	Varies	Daily	6,268,534	
TOTAL DEBT SERVICE FUND				<u>\$ 9,912,117</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 453,169	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 14,482,179</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2023

	Maintenance Taxes	Contract Taxes		Debt Service Taxes
TAXES RECEIVABLE -				
APRIL 1, 2022	\$ 34,748			\$ 50,575
Adjustments to Beginning Balance	<u>(4,185)</u>	<u>(19,848)</u>	\$ 133,776	<u>(7,185)</u> \$ 43,390
Original 2022 Tax Levy	\$ 1,046,245		\$ 5,161,474	\$ 2,022,739
Adjustment to 2022 Tax Levy	<u>82,748</u>	<u>1,128,993</u>	<u>408,224</u>	<u>5,569,698</u> <u>159,980</u> <u>2,182,719</u>
TOTAL TO BE ACCOUNTED FOR	\$ 1,159,556		\$ 5,703,474	\$ 2,226,109
TAX COLLECTIONS:				
Prior Years	\$ 25,889		\$ 113,081	\$ 34,480
Current Year	<u>1,099,990</u>	<u>1,125,879</u>	<u>5,426,616</u>	<u>5,539,697</u> <u>2,126,647</u> <u>2,161,127</u>
TAXES RECEIVABLE -				
MARCH 31, 2023	<u>\$ 33,677</u>		<u>\$ 163,777</u>	<u>\$ 64,982</u>
TAXES RECEIVABLE BY YEAR:				
2022	\$ 29,003		\$ 143,082	\$ 56,072
2021	2,746		12,359	3,845
2020	1,732		7,696	4,810
2019	<u>196</u>		<u>640</u>	<u>255</u>
TOTAL	<u>\$ 33,677</u>		<u>\$ 163,777</u>	<u>\$ 64,982</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2023**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
PROPERTY VALUATIONS:				
Land	\$ 170,715,557	\$ 154,386,144	\$ 120,273,906	\$ 98,255,356
Improvements	675,325,808	397,132,054	282,095,106	183,562,376
Personal Property	7,154,142	3,063,757	1,880,829	932,976
Exemptions	<u>(100,533,640)</u>	<u>(21,236,493)</u>	<u>(11,209,515)</u>	<u>(7,394,821)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 752,661,867</u>	<u>\$ 533,345,462</u>	<u>\$ 393,040,326</u>	<u>\$ 275,355,887</u>
TAX RATES PER \$100 VALUATION:				
Contract	\$ 0.74	\$ 0.90	\$ 0.80	\$ 0.88
Debt Service	0.29	0.28	0.50	0.35
Maintenance	<u>0.15</u>	<u>0.20</u>	<u>0.18</u>	<u>0.27</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.18</u>	<u>\$ 1.38</u>	<u>\$ 1.48</u>	<u>\$ 1.50</u>
ADJUSTED TAX LEVY*	<u>\$ 8,881,410</u>	<u>\$ 7,360,167</u>	<u>\$ 5,816,996</u>	<u>\$ 4,130,340</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>97.43 %</u>	<u>99.74 %</u>	<u>99.76 %</u>	<u>99.97 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on November 6, 2007.

Maximum road maintenance tax rate of \$0.25 per \$100 of assessed valuation approved by voters on November 4, 2008.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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	\$ 65,000	\$ 73,863	\$ 138,863
2025	70,000	72,172	142,172
2026	70,000	70,300	140,300
2027	75,000	68,250	143,250
2028	80,000	65,962	145,962
2029	85,000	63,445	148,445
2030	90,000	60,688	150,688
2031	90,000	57,762	147,762
2032	95,000	54,662	149,662
2033	100,000	51,348	151,348
2034	105,000	47,810	152,810
2035	110,000	44,047	154,047
2036	115,000	40,053	155,053
2037	125,000	35,732	160,732
2038	130,000	31,078	161,078
2039	135,000	26,175	161,175
2040	145,000	20,886	165,886
2041	150,000	15,208	165,208
2042	155,000	9,336	164,336
2043	165,000	3,176	168,176
2044			
2045			
2046			
2047			
	<u>\$ 2,155,000</u>	<u>\$ 911,953</u>	<u>\$ 3,066,953</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023

S E R I E S - 2 0 1 8

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 145,000	\$ 170,575	\$ 315,575
2025	150,000	163,937	313,937
2026	160,000	156,963	316,963
2027	165,000	150,887	315,887
2028	170,000	145,863	315,863
2029	175,000	140,687	315,687
2030	180,000	135,363	315,363
2031	190,000	129,337	319,337
2032	200,000	122,513	322,513
2033	210,000	115,337	325,337
2034	215,000	107,900	322,900
2035	225,000	100,200	325,200
2036	235,000	92,150	327,150
2037	245,000	83,750	328,750
2038	255,000	75,000	330,000
2039	265,000	65,900	330,900
2040	275,000	56,278	331,278
2041	290,000	46,038	336,038
2042	305,000	35,253	340,253
2043	315,000	24,015	339,015
2044	505,000	9,153	514,153
2045			
2046			
2047			
	<u>\$ 4,875,000</u>	<u>\$ 2,127,099</u>	<u>\$ 7,002,099</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023

S E R I E S - 2 0 1 9

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 130,000	\$ 129,550	\$ 259,550
2025	135,000	123,919	258,919
2026	140,000	118,425	258,425
2027	145,000	113,262	258,262
2028	150,000	109,038	259,038
2029	155,000	105,606	260,606
2030	160,000	101,463	261,463
2031	165,000	96,587	261,587
2032	175,000	91,488	266,488
2033	175,000	86,237	261,237
2034	180,000	80,913	260,913
2035	190,000	75,363	265,363
2036	195,000	69,587	264,587
2037	200,000	63,663	263,663
2038	205,000	57,459	262,459
2039	215,000	50,763	265,763
2040	220,000	43,694	263,694
2041	230,000	36,381	266,381
2042	235,000	28,825	263,825
2043	245,000	21,024	266,024
2044	250,000	12,825	262,825
2045	255,000	4,303	259,303
2046			
2047			
	<u>\$ 4,150,000</u>	<u>\$ 1,620,375</u>	<u>\$ 5,770,375</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023

S E R I E S - 2 0 2 0

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 165,000	\$ 145,932	\$ 310,932
2025	170,000	139,231	309,231
2026	180,000	132,907	312,907
2027	190,000	128,081	318,081
2028	200,000	124,182	324,182
2029	210,000	120,081	330,081
2030	220,000	115,782	335,782
2031	230,000	111,281	341,281
2032	240,000	106,581	346,581
2033	250,000	101,681	351,681
2034	265,000	96,531	361,531
2035	280,000	91,081	371,081
2036	290,000	85,381	375,381
2037	305,000	79,431	384,431
2038	320,000	73,181	393,181
2039	340,000	66,581	406,581
2040	355,000	59,631	414,631
2041	375,000	52,097	427,097
2042	390,000	43,969	433,969
2043	410,000	35,213	445,213
2044	430,000	25,762	455,762
2045	455,000	15,806	470,806
2046	475,000	5,344	480,344
2047			
	<u>\$ 6,745,000</u>	<u>\$ 1,955,747</u>	<u>\$ 8,700,747</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023

S E R I E S - 2 0 2 1

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 140,000	\$ 119,581	\$ 259,581
2025	145,000	116,731	261,731
2026	150,000	113,781	263,781
2027	160,000	110,681	270,681
2028	165,000	107,431	272,431
2029	170,000	104,506	274,506
2030	180,000	101,431	281,431
2031	190,000	97,731	287,731
2032	195,000	93,881	288,881
2033	205,000	89,881	294,881
2034	215,000	85,682	300,682
2035	225,000	81,282	306,282
2036	235,000	76,681	311,681
2037	245,000	71,728	316,728
2038	255,000	66,416	321,416
2039	270,000	60,838	330,838
2040	280,000	54,994	334,994
2041	290,000	48,938	338,938
2042	305,000	42,616	347,616
2043	320,000	35,775	355,775
2044	335,000	28,406	363,406
2045	350,000	20,700	370,700
2046	365,000	12,656	377,656
2047	380,000	4,275	384,275
	<u>\$ 5,770,000</u>	<u>\$ 1,746,622</u>	<u>\$ 7,516,622</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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	\$ 645,000	\$ 639,501	\$ 1,284,501
2025	670,000	615,990	1,285,990
2026	700,000	592,376	1,292,376
2027	735,000	571,161	1,306,161
2028	765,000	552,476	1,317,476
2029	795,000	534,325	1,329,325
2030	830,000	514,727	1,344,727
2031	865,000	492,698	1,357,698
2032	905,000	469,125	1,374,125
2033	940,000	444,484	1,384,484
2034	980,000	418,836	1,398,836
2035	1,030,000	391,973	1,421,973
2036	1,070,000	363,852	1,433,852
2037	1,120,000	334,304	1,454,304
2038	1,165,000	303,134	1,468,134
2039	1,225,000	270,257	1,495,257
2040	1,275,000	235,483	1,510,483
2041	1,335,000	198,662	1,533,662
2042	1,390,000	159,999	1,549,999
2043	1,455,000	119,203	1,574,203
2044	1,520,000	76,146	1,596,146
2045	1,060,000	40,809	1,100,809
2046	840,000	18,000	858,000
2047	380,000	4,275	384,275
	<u>\$ 23,695,000</u>	<u>\$ 8,361,796</u>	<u>\$ 32,056,796</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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. 502 Unlimited Tax Bonds - Series 2017	\$ 2,440,000	\$ 2,220,000
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2018	5,400,000	5,010,000
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2019	4,500,000	4,270,000
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2020	7,045,000	6,900,000
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2021	<u>5,900,000</u>	<u>5,900,000</u>
TOTAL	<u>\$ 25,285,000</u>	<u>\$ 24,300,000</u>

Bond Authority:	Tax Bonds	Road Bonds	Recreational Facilities Bonds
Amount Authorized by Voters	\$ 169,190,000	\$ 73,750,000	\$ 14,800,000
Amount Issued	<u>25,285,000</u>	<u> </u>	<u> </u>
Remaining to be Issued	<u>\$ 143,905,000</u>	<u>\$ 73,750,000</u>	<u>\$ 14,800,000</u>

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>		
\$	\$ 65,000	\$ 75,374	\$ 2,155,000	The Bank of New York Mellon Trust Company, N.A.
	135,000	176,875	4,875,000	The Bank of New York Mellon Trust Company, N.A.
	120,000	134,863	4,150,000	The Bank of New York Mellon Trust Company, N.A.
	155,000	152,331	6,745,000	The Bank of New York Mellon Trust Company, N.A.
	<u>130,000</u>	<u>122,281</u>	<u>5,770,000</u>	The Bank of New York Mellon Trust Company, N.A.
<u>\$ - 0 -</u>	<u>\$ 605,000</u>	<u>\$ 661,724</u>	<u>\$ 23,695,000</u>	

Debt Service Fund cash and investment balances (excluding contract tax cash and investment balances) as of March 31, 2023:

\$ 3,911,743

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 1,335,700

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 1,125,879	\$ 1,063,302	\$ 733,180
Water Service	703,038	568,907	458,651
Wastewater Service	545,449	440,589	335,375
Water Authority Fees	964,823	612,872	545,982
Penalty and Interest	28,475	11,557	10,710
Tap Connection and Inspection Fees	244,265	469,755	302,140
Investment and Miscellaneous Revenues	97,204	999	18,521
TOTAL REVENUES	\$ 3,709,133	\$ 3,167,981	\$ 2,404,559
EXPENDITURES			
Professional Fees	\$ 145,085	\$ 139,494	\$ 127,967
Contracted Services	523,089	364,537	251,295
Purchased Water and Wastewater Services	567,216	463,401	412,216
Water Authority Assessments	958,115	593,736	479,581
Repairs and Maintenance	94,812	74,513	66,049
Other	285,940	299,200	249,744
TOTAL EXPENDITURES	\$ 2,574,257	\$ 1,934,881	\$ 1,586,852
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,134,876	\$ 1,233,100	\$ 817,707
OTHER FINANCING SOURCES (USES)			
Transfer In (Out)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 1,134,876	\$ 1,233,100	\$ 817,707
BEGINNING FUND BALANCE	3,016,499	1,783,399	965,692
ENDING FUND BALANCE	\$ 4,151,375	\$ 3,016,499	\$ 1,783,399

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2020</u>	<u>2019</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
\$ 767,361	\$ 364,617	30.3 %	33.6 %	30.5 %	37.1 %	28.4 %
344,487	217,057	19.0	18.0	19.1	16.6	17.0
245,110	156,899	14.7	13.9	13.9	11.8	12.3
379,926	202,196	26.0	19.3	22.7	18.3	15.8
9,277	7,534	0.8	0.4	0.4	0.4	0.6
304,420	314,660	6.6	14.8	12.6	14.7	24.6
<u>22,585</u>	<u>16,634</u>	<u>2.6</u>		<u>0.8</u>	<u>1.1</u>	<u>1.3</u>
<u>\$ 2,073,166</u>	<u>\$ 1,279,597</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 135,517	\$ 122,233	3.9 %	4.4 %	5.3 %	6.5 %	9.6 %
187,977	132,783	14.1	11.5	10.5	9.1	10.4
405,450	564,000	15.3	14.6	17.1	19.6	44.1
362,349		25.8	18.7	19.9	17.5	
79,972	56,929	2.6	2.4	2.7	3.9	4.4
<u>217,634</u>	<u>217,311</u>	<u>7.7</u>	<u>9.4</u>	<u>10.4</u>	<u>10.5</u>	<u>17.0</u>
<u>\$ 1,388,899</u>	<u>\$ 1,093,256</u>	<u>69.4 %</u>	<u>61.0 %</u>	<u>65.9 %</u>	<u>67.1 %</u>	<u>85.5 %</u>
<u>\$ 684,267</u>	<u>\$ 186,341</u>	<u>30.6 %</u>	<u>39.0 %</u>	<u>34.1 %</u>	<u>32.9 %</u>	<u>14.5 %</u>
<u>\$ - 0 -</u>	<u>\$ (34,000)</u>					
\$ 684,267	\$ 152,341					
<u>281,425</u>	<u>129,084</u>					
<u>\$ 965,692</u>	<u>\$ 281,425</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property/Contract Taxes	\$ 7,700,824	\$ 6,300,322	\$ 5,183,289
Penalty and Interest	49,998	40,473	32,504
Investment and Miscellaneous Revenues	190,354	6,540	5,705
TOTAL REVENUES	\$ 7,941,176	\$ 6,347,335	\$ 5,221,498
EXPENDITURES			
Tax Collection Expenditures	\$ 102,266	\$ 85,978	\$ 71,747
Debt Service Principal	605,000	460,000	295,000
Debt Service Interest and Fees	664,724	664,665	562,951
Contractual Obligation	3,629,320	2,925,259	2,491,599
TOTAL EXPENDITURES	\$ 5,001,310	\$ 4,135,902	\$ 3,421,297
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 2,939,866	\$ 2,211,433	\$ 1,800,201
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$	\$	\$
Proceeds From Issuance of Long-Term Debt			
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 2,939,866	\$ 2,211,433	\$ 1,800,201
BEGINNING FUND BALANCE	7,196,529	4,985,096	3,184,895
ENDING FUND BALANCE	\$ 10,136,395	\$ 7,196,529	\$ 4,985,096
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,565	1,435	1,080
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,551	1,423	1,068

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2020</u>	<u>2019</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
\$ 3,601,794	\$ 2,426,652	97.0 %	99.3 %	99.3 %	98.4 %	99.0 %
30,635	15,234	0.6	0.6	0.6	0.8	0.6
29,328	8,889	2.4	0.1	0.1	0.8	0.4
<u>\$ 3,661,757</u>	<u>\$ 2,450,775</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 56,954	\$ 32,282	1.3 %	1.4 %	1.4 %	1.6 %	1.3 %
180,000	50,000	7.6	7.2	5.6	4.9	2.0
395,398	314,744	8.4	10.5	10.8	10.8	12.8
<u>1,903,563</u>	<u>1,146,139</u>	<u>45.7</u>	<u>46.1</u>	<u>47.7</u>	<u>52.0</u>	<u>46.8</u>
<u>\$ 2,535,915</u>	<u>\$ 1,543,165</u>	<u>63.0 %</u>	<u>65.2 %</u>	<u>65.5 %</u>	<u>69.3 %</u>	<u>62.9 %</u>
<u>\$ 1,125,842</u>	<u>\$ 907,610</u>	<u>37.0 %</u>	<u>34.8 %</u>	<u>34.5 %</u>	<u>30.7 %</u>	<u>37.1 %</u>
\$ 306,514	\$ 34,000					
<u>\$ 306,514</u>	<u>\$ 34,000</u>					
\$ 1,432,356	\$ 941,610					
<u>1,752,539</u>	<u>810,929</u>					
<u>\$ 3,184,895</u>	<u>\$ 1,752,539</u>					
<u>857</u>	<u>610</u>					
<u>845</u>	<u>599</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2023

District Mailing Address - Harris County Municipal Utility District No. 502
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended March 31, 2023	Expense Reimbursements for the year ended March 31, 2023	Title
Andrew Peebles	05/22 - 05/26 (Elected)	\$ 1,650	\$ 304	President
Brian Thomas	05/22 - 05/26 (Elected)	\$ 1,350	\$ 1	Vice President
John Suppatkul	05/20 - 05/24 (Elected)	\$ 1,800	\$ 145	Secretary
Reginald Smith	12/20 - 05/24 (Appointed)	\$ 1,800	\$ 200	Assistant Secretary
John Schleier	12/22 - 05/26 (Appointed)	\$ 600	\$ 26	Director

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: December 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. 502
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>
Smith, Murdaugh, Little & Bonham, L.L.P.	07/09/12	\$ 97,233	General Counsel
McCall Gibson Swedlund Barfoot PLLC	03/02/11	\$ 16,500 \$ 8,500	Audit Related Bond Related
Myrtle Cruz, Inc.	08/03/22	\$ 12,884	Bookkeeper
F. Matuska, Inc.	09/28/07- 08/03/22	\$ 5,104	Prior Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/02/11	\$ 11,464	Delinquent Tax Attorney
Edminster, Hinshaw, Russ and Associates, Inc.	09/28/07	\$ 22,852	Engineer
RBC Capital Markets	09/28/07	\$ -0-	Financial Advisor
Mary Jarmon	09/07/22	\$ -0-	Investment Officer
Environmental Development Partners	11/28/11	\$ 409,471	Operator
BLICO, Inc.	09/28/07	\$ 28,485	Tax Assessor/ Collector

See accompanying independent auditor's report.

