

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2024

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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. 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, 2024, 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, 2024, 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 3, 2024

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

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, 2024. 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, 2024**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$4,202,791 as of March 31, 2024. 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, 2024**

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		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 21,924,054	\$ 17,524,512	\$ 4,399,542
Capital Assets (Net of Accumulated Depreciation)	19,420,784	19,778,912	(358,128)
Total Assets	\$ 41,344,838	\$ 37,303,424	\$ 4,041,414
Due to Developer	\$ 1,280,085	\$ 2,862,592	\$ 1,582,507
Bonds Payable	43,502,867	23,755,787	(19,747,080)
Other Liabilities	764,677	671,032	(93,645)
Total Liabilities	\$ 45,547,629	\$ 27,289,411	\$ (18,258,218)
Net Position:			
Net Investment in Capital Assets	\$ (22,885,728)	\$ (4,405,279)	\$ (18,480,449)
Restricted	13,140,128	10,340,853	2,799,275
Unrestricted	5,542,809	4,078,439	1,464,370
Total Net Position	\$ (4,202,791)	\$ 10,014,013	\$ (14,216,804)

The following table provides a summary of the District's operations for the years ending March 31, 2024, and March 31, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 9,793,425	\$ 8,850,192	\$ 943,233
Charges for Services	2,659,945	2,538,119	121,826
Other Revenues	857,859	357,639	500,220
Total Revenues	\$ 13,311,229	\$ 11,745,950	\$ 1,565,279
Expenses for Services	27,528,033	7,523,381	(20,004,652)
Change in Net Position	\$ (14,216,804)	\$ 4,222,569	\$ (18,439,373)
Net Position, Beginning of Year	10,014,013	5,791,444	4,222,569
Net Position, End of Year	\$ (4,202,791)	\$ 10,014,013	\$ (14,216,804)

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2024, totaled \$20,985,856, an increase of \$4,370,511 from the prior year.

The General Fund fund balance increased by \$1,374,747, 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 \$2,868,512, 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 increased by \$127,252. The District sold Series 2023 Road Bonds and used the proceeds to reimburse its developer.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget during the current fiscal year. The budget was amended for minor adjustments to various expenditures. Actual revenues were \$1,150,645 more than budgeted revenues and actual expenditures were \$580,708 more than budgeted expenditures which resulted in a positive variance of \$569,937. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of March 31, 2024, total \$19,420,784 (net of accumulated depreciation) and include land as well as the water, wastewater and drainage systems.

Capital Assets At Year-End			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 4,235	\$ 4,235	\$
Capital Assets Subject to Depreciation:			
Water System	3,978,629	3,942,453	36,176
Wastewater System	8,153,617	8,108,384	45,233
Drainage System	9,940,297	9,886,139	54,158
Less Accumulated Depreciation	(2,655,994)	(2,162,299)	(493,695)
Total Net Capital Assets	\$ 19,420,784	\$ 19,778,912	\$ (358,128)

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

LONG-TERM DEBT

As of March 31, 2024, the District had bond debt payable of \$43,515,000. The changes in debt position of the District during the year ended March 31, 2024, are summarized as follows:

Bond Debt Payable, April 1, 2023	\$ 23,695,000
Add: Bond Sale - Road Series 2023	20,465,000
Less: Bond Principal Paid	<u>(645,000)</u>
Bond Debt Payable, March 31, 2024	<u>\$ 43,515,000</u>

The District’s Series 2021 bonds and Series 2023 bonds carry underlying ratings of “Baa1”. Bonds issued since 2018 carry insured ratings of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company or 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, 2024

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 222,002	\$ 245,313
Investments	5,722,602	12,801,681
Receivables:		
Property Taxes	38,300	242,060
Service Accounts	158,615	
Penalty and Interest on Delinquent Taxes		
Due from Other Funds	31,846	
Prepaid Costs	5,752	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 6,179,117	\$ 13,289,054
LIABILITIES		
Accounts Payable	\$ 163,226	\$ 10,241
Accrued Interest Payable		
Due to Other Governmental Units	154,155	
Due to Developer		
Due to Other Funds		31,846
Security Deposits	297,314	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 614,695	\$ 42,087
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 38,300	\$ 242,060
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 5,752	\$
Restricted for Authorized Construction		
Restricted for Contract Debt Service		7,590,279
Restricted for Debt Service		5,414,628
Unassigned	5,520,370	
TOTAL FUND BALANCES	\$ 5,526,122	\$ 13,004,907
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,179,117	\$ 13,289,054
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
\$	\$ 467,315	\$	\$ 467,315
2,454,827	20,979,110		20,979,110
	280,360		280,360
	158,615		158,615
		32,902	32,902
	31,846	(31,846)	
	5,752		5,752
		4,235	4,235
		19,416,549	19,416,549
<u>\$ 2,454,827</u>	<u>\$ 21,922,998</u>	<u>\$ 19,421,840</u>	<u>\$ 41,344,838</u>
\$	\$ 173,467	\$	\$ 173,467
		139,741	139,741
	154,155		154,155
		1,280,085	1,280,085
	31,846	(31,846)	
	297,314		297,314
		830,000	830,000
		42,672,867	42,672,867
<u>\$ - 0 -</u>	<u>\$ 656,782</u>	<u>\$ 44,890,847</u>	<u>\$ 45,547,629</u>
<u>\$ - 0 -</u>	<u>\$ 280,360</u>	<u>\$ (280,360)</u>	<u>\$ - 0 -</u>
\$	\$ 5,752	\$ (5,752)	\$
2,454,827	2,454,827	(2,454,827)	
	7,590,279	(7,590,279)	
	5,414,628	(5,414,628)	
	5,520,370	(5,520,370)	
<u>\$ 2,454,827</u>	<u>\$ 20,985,856</u>	<u>\$ (20,985,856)</u>	<u>\$ - 0 -</u>
<u>\$ 2,454,827</u>	<u>\$ 21,922,998</u>		
		\$ (22,885,728)	\$ (22,885,728)
		13,140,128	13,140,128
		5,542,809	5,542,809
		<u>\$ (4,202,791)</u>	<u>\$ (4,202,791)</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, 2024**

Total Fund Balances - Governmental Funds \$ 20,985,856

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. 19,420,784

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District. 313,262

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	\$ (1,280,085)	
Accrued Interest Payable	(139,741)	
Bonds Payable	<u>(43,502,867)</u>	<u>(44,922,693)</u>

Total Net Position - Governmental Activities \$ (4,202,791)

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, 2024

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,339,099	\$ 8,436,402
Water Service	719,638	
Wastewater Service	597,140	
Water Authority Fees	1,029,498	
Penalty and Interest	29,269	66,100
Tap Connection and Inspection Fees	215,347	
Investment and Miscellaneous Revenues	242,874	505,858
TOTAL REVENUES	\$ 4,172,865	\$ 9,008,360
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 187,940	\$ 15,989
Contracted Services	604,531	108,238
Purchased Water and Wastewater Service	664,200	
Water Authority Assessments	1,023,570	
Repairs and Maintenance	117,426	
Depreciation		
Other	200,451	6,617
Developer Interest		
Conveyance of Assets		
Capital Outlay		
Debt Service:		
Debt Issuance Costs		
Bond Principal		645,000
Bond Interest		986,220
Contractual Obligation		4,377,784
TOTAL EXPENDITURES/EXPENSES	\$ 2,798,118	\$ 6,139,848
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 1,374,747	\$ 2,868,512
OTHER FINANCING SOURCES (USES)		
Bond Discount	\$	\$
Proceeds from Issuance of Bonds		
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 1,374,747	\$ 2,868,512
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2023	4,151,375	10,136,395
FUND BALANCES/NET POSITION - MARCH 31, 2024	\$ 5,526,122	\$ 13,004,907

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>
\$	\$ 9,775,501	\$ 17,924	\$ 9,793,425
	719,638		719,638
	597,140		597,140
	1,029,498		1,029,498
	95,369	2,953	98,322
	215,347		215,347
109,127	857,859		857,859
<u>\$ 109,127</u>	<u>\$ 13,290,352</u>	<u>\$ 20,877</u>	<u>\$ 13,311,229</u>
\$	\$ 203,929	\$	\$ 203,929
	712,769		712,769
	664,200		664,200
	1,023,570		1,023,570
	117,426		117,426
		493,695	493,695
35	207,103		207,103
3,918,574	3,918,574		3,918,574
		13,282,313	13,282,313
15,000,387	15,000,387	(15,000,387)	
1,456,339	1,456,339		1,456,339
	645,000	(645,000)	
	986,220	84,111	1,070,331
	4,377,784		4,377,784
<u>\$ 20,375,335</u>	<u>\$ 29,313,301</u>	<u>\$ (1,785,268)</u>	<u>\$ 27,528,033</u>
\$ (20,266,208)	\$ (16,022,949)	\$ 1,806,145	\$ (14,216,804)
\$ (71,540)	\$ (71,540)	\$ 71,540	\$
20,465,000	20,465,000	(20,465,000)	
<u>\$ 20,393,460</u>	<u>\$ 20,393,460</u>	<u>\$ (20,393,460)</u>	<u>\$ -0-</u>
\$ 127,252	\$ 4,370,511	\$ (4,370,511)	\$
		(14,216,804)	(14,216,804)
2,327,575	16,615,345	(6,601,332)	10,014,013
<u>\$ 2,454,827</u>	<u>\$ 20,985,856</u>	<u>\$ (25,188,647)</u>	<u>\$ (4,202,791)</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, 2024**

Net Change in Fund Balances - Governmental Funds	\$ 4,370,511
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.	17,924
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.	2,953
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.	(493,695)
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.	1,718,074
Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	71,540
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments reduce liabilities.	645,000
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.	(84,111)
Governmental funds report proceeds from the sale of bonds as other financing sources. The sale of long-term debt increases liabilities in the Statement of Net Position.	<u>(20,465,000)</u>
Change in Net Position - Governmental Activities	<u>\$ (14,216,804)</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, 2024

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, 2024

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, 2024

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 \$31,846 for maintenance tax collections and bond related costs.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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 over the estimated useful lives ranging between 10 and 45 years.

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 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, 2024

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, 2024

NOTE 3. LONG-TERM DEBT

	<u>Series 2017</u>	<u>Series 2018</u>	<u>Series 2019</u>
Amount Outstanding – March 31, 2024	\$2,090,000	\$4,730,000	\$4,020,000
Interest Rates	2.00%-3.85%	3.00%-4.50%	2.25%-3.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2024/2042	September 1, 2024/2043	September 1, 2024/2044
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>Road</u> <u>Series 2023</u>
	<u>Series 2020</u>	<u>Series 2021</u>	
Amount Outstanding – March 31, 2024	\$6,580,000	\$5,630,000	\$20,456,000
Interest Rates	2.00%-4.00%	1.50%-2.25%	4.25%-7.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2024/2045	September 1, 2024/2046	September 1, 2024/2048
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Date	September 1, 2025*	September 1, 2027*	September 1, 2029*

* 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. Series 2023 Road term bonds maturing on September 1, 2037, 2040, and 2048 are subject to mandatory redemption beginning September 1, 2036, 2039, and 2047, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 3. LONG-TERM DEBT (Continued)

Bonds payable activity for the current fiscal year is summarized in the following table:

	April 1, 2023	Additions	Retirements	March 31, 2024
Bonds Payable	\$ 23,695,000	\$ 20,465,000	\$ 645,000	\$ 43,515,000
Unamortized Discounts	(21,852)	(71,540)	(2,475)	(90,917)
Unamortized Premiums	82,639		3,855	78,784
Bonds Payable, Net	\$ 23,755,787	\$ 20,393,460	\$ 646,380	\$ 43,502,867
		Amount Due Within One Year		\$ 830,000
		Amount Due After One Year		42,672,867
		Bonds Payable, Net		\$ 43,502,867

As of March 31, 2024, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 830,000	\$ 1,659,090	\$ 2,489,090
2026	1,155,000	1,613,182	2,768,182
2027	1,205,000	1,558,436	2,763,436
2028	1,245,000	1,505,314	2,750,314
2029	1,290,000	1,451,819	2,741,819
2030-2034	7,135,000	6,497,589	13,632,589
2035-2039	8,475,000	5,206,244	13,681,244
2040-2044	10,060,000	3,626,418	13,686,418
2045-2049	12,120,000	1,492,834	13,612,834
	\$ 43,515,000	\$ 24,610,926	\$ 68,125,926

As of March 31, 2024, 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 \$53,285,000 for road infrastructure. The bond authorizations also include bonds issued for refunding purposes.

During the year ended March 31, 2024, the District levied an ad valorem debt service tax rate of \$0.32 per \$100 of assessed valuation, which resulted in a tax levy of \$3,062,915 on the adjusted taxable valuation of \$957,160,883 for the 2023 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, 2024

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 the Developer which call for the Developer to fund 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 summarized in the following table:

Due to Developer, April 1, 2023		\$ 2,862,592
Add: Current Year Additions		17,336,454
Less: Current Year Reimbursements		<u>(18,918,961)</u>
Due to Developer, March 31, 2024		<u>\$ 1,280,085</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, 2024

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 \$467,315 and the bank balance was \$421,031. 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, 2024, as listed below:

	Cash
GENERAL FUND	\$ 222,002
DEBT SERVICE FUND	245,313
TOTAL DEPOSITS	\$ 467,315

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, 2024

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 Hermes, 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, 2024, 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	\$ 5,722,602	\$ 5,722,602
<u>DEBT SERVICE FUND</u>		
TexPool	12,801,681	12,801,681
<u>CAPITAL PROJECTS FUND</u>		
TexPool	2,454,827	2,454,827
TOTAL INVESTMENTS	\$ 20,979,110	\$ 20,979,110

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. 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, 2024

NOTE 6. CAPITAL ASSETS

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

	April 1, 2023	Increases	Decreases	March 31, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 4,235	\$ - 0 -	\$ - 0 -	\$ 4,235
Capital Assets Subject to Depreciation				
Water System	\$ 3,942,453	\$ 36,176	\$	\$ 3,978,629
Wastewater System	8,108,384	45,233		8,153,617
Drainage System	9,886,139	54,158		9,940,297
Total Capital Assets Subject to Depreciation	\$ 21,936,976	\$ 135,567	\$ - 0 -	\$ 22,072,543
Less Accumulated Depreciation				
Water System	\$ 386,602	\$ 89,148	\$	\$ 475,750
Wastewater System	815,948	182,303		998,251
Drainage System	959,749	222,244		1,181,993
Total Accumulated Depreciation	\$ 2,162,299	\$ 493,695	\$ - 0 -	\$ 2,655,994
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 19,774,677	\$ (358,128)	\$ - 0 -	\$ 19,416,549
Total Capital Assets, Net of Accumulated Depreciation	\$ 19,778,912	\$ (358,128)	\$ - 0 -	\$ 19,420,784

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 \$0.14 per \$100 of assessed valuation, which resulted in a tax levy of \$1,340,025 on the adjusted taxable valuation of \$957,160,883 for the 2023 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 \$0.14 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 a 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 on the Master District's contract tax revenue bonds and for charges associated with operating the Master District facilities.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 8. CONTRACT TAX (Continued)

During the current year, the District levied an ad valorem contract tax rate of \$0.56 per \$100 of assessed valuation, which resulted in a tax levy of \$5,360,101 on the adjusted taxable valuation of \$957,160,883 for the 2023 tax year. The District paid \$4,377,784 to the Master District during the year to satisfy its contract debt obligations.

NOTE 9. 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, 2024, the Master District has authorized but unissued water, wastewater and drainage bonds of \$622,415,000, road bonds of \$302,130,000 and park bonds of \$52,870,000.

As of March 31, 2024, the debt service requirements on the Master District contract bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 5,000,000	\$ 5,599,788	\$ 10,599,788
2026	5,220,000	5,581,162	10,801,162
2027	5,405,000	5,395,629	10,800,629
2028	5,590,000	5,198,504	10,788,504
2029	5,780,000	5,004,674	10,784,674
2030-2034	32,090,000	22,097,480	54,187,480
2035-2039	38,620,000	16,251,809	54,871,809
2040-2044	46,575,000	8,800,161	55,375,161
2045-2049	24,130,000	1,729,854	25,859,854
	<u>\$ 168,410,000</u>	<u>\$ 75,659,061</u>	<u>\$ 244,069,061</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 9. 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, 2024, 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 at fiscal year end was \$30 per ESFC and was increased to \$36 subsequent to year end. 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, 2024:

	Master District Enterprise Fund
Total Assets	\$ 149,858,004
Total Deferred Outflows of Resources	1,181,299
Total Liabilities	<u>(174,305,963)</u>
Total Net Position	<u>\$ (23,266,660)</u>
Total Operating Revenues	\$ 4,157,082
Total Operating Expenses	<u>(8,363,793)</u>
Operating Income (Loss)	<u>\$ (4,206,711)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 868,223</u>
Change in Net Position	\$ (3,338,488)
Net Position – April 1, 2023, As Adjusted	<u>(19,928,172)</u>
Net Position – March 31, 2024	<u>\$ (23,266,660)</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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

NOTE 12. BOND SALE

On November 2, 2023, the District closed on the sale of its \$20,465,000 Series 2023 Unlimited Tax Road Bonds. Proceeds were used to reimburse the Developer for the following: (i) paving facilities associated with Towne Lake Sections 32, 33, 34, 35, 36, 43, 46, 50, 51, 52, 53, 54, 55, 56, 57, 61 and 63; (ii) engineering and geotechnical fees; (iii) storm water compliance costs; (iv) and land acquisition. Bond proceeds were also used to pay certain bond issuance costs, developer interest and six months of capitalized interest.

NOTE 13. SURPLUS FUNDS

On October 30, 2023, the Commission approved the use of \$1,075,365 in surplus bond funds to be used to reimburse the Developer for utilities serving Towne Lake, Section 63 and related engineering, geotechnical, storm water compliance costs, and Developer interest.

On January 16, 2024, the Commission approved the use of \$548,088 in surplus bond funds to be used to pay a portion of the smart meters project.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2024

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, 2024

	Original Budget	Amended and Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,012,470	\$ 1,012,470	\$ 1,339,099	\$ 326,629
Water Service	550,000	550,000	719,638	169,638
Wastewater Service	453,000	453,000	597,140	144,140
Water Authority Fees	675,000	675,000	1,029,498	354,498
Penalty and Interest	13,000	13,000	29,269	16,269
Tap Connection and Inspection Fees	268,750	268,750	215,347	(53,403)
Investment and Miscellaneous Revenues	<u>50,000</u>	<u>50,000</u>	<u>242,874</u>	<u>192,874</u>
TOTAL REVENUES	<u>\$ 3,022,220</u>	<u>\$ 3,022,220</u>	<u>\$ 4,172,865</u>	<u>\$ 1,150,645</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 145,500	\$ 145,500	\$ 187,940	\$ (42,440)
Contracted Services	365,000	447,000	604,531	(157,531)
Purchased Water and Wastewater Service	664,200	664,200	664,200	
Water Authority Assessments	655,200	655,200	1,023,570	(368,370)
Repairs and Maintenance	97,000	97,000	117,426	(20,426)
Other	<u>208,510</u>	<u>208,510</u>	<u>200,451</u>	<u>8,059</u>
TOTAL EXPENDITURES	<u>\$ 2,135,410</u>	<u>\$ 2,217,410</u>	<u>\$ 2,798,118</u>	<u>\$ (580,708)</u>
NET CHANGE IN FUND BALANCE	\$ 886,810	\$ 804,810	\$ 1,374,747	\$ 569,937
FUND BALANCE - APRIL 1, 2023	<u>4,151,375</u>	<u>4,151,375</u>	<u>4,151,375</u>	
FUND BALANCE - MARCH 31, 2024	<u>\$ 5,038,185</u>	<u>\$ 4,956,185</u>	<u>\$ 5,526,122</u>	<u>\$ 569,937</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, 2024

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2024**

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
<u> X </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
_____	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 effective October 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 \$ 2.50 \$ 3.00	7,001 to 15,000 15,001 to 25,000 25,001 and up
WASTEWATER:	\$ 30.00*		Y		

SURCHARGE:

Commission	
Regulatory Assessments	Included in the rates above
Surface Water Fees	106% 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: \$46.10

* Includes trash pickup.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2024**

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>1,363</u>	<u>1,363</u>	x 1.0	<u>1,363</u>
1"	<u>233</u>	<u>233</u>	x 2.5	<u>583</u>
1½"	<u>7</u>	<u>7</u>	x 5.0	<u>35</u>
2"	<u>8</u>	<u>8</u>	x 8.0	<u>64</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>1,613</u></u>	<u><u>1,613</u></u>		<u><u>2,175</u></u>
Total Wastewater Connections	<u><u>1,591</u></u>	<u><u>1,591</u></u>	x 1.0	<u><u>1,591</u></u>

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

Gallons billed to customers: 224,467,000 Water Accountability Ratio: 97.8%*

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, Harris County Municipal Utility District No. 196, and Harris County Municipal Utility District No. 172 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, 2024**

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, 2024

PROFESSIONAL FEES:	
Audit	\$ 17,000
Engineering	57,128
Legal	<u>113,812</u>
TOTAL PROFESSIONAL FEES	<u>\$ 187,940</u>
PURCHASED SERVICES FOR RESALE	
Purchased Water and Wastewater Service	\$ 664,200
Water Authority Assessments	<u>1,023,570</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,687,770</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 17,475
Operations and Billing	85,821
Solid Waste Disposal	460,495
Security	<u>40,740</u>
TOTAL CONTRACTED SERVICES	<u>\$ 604,531</u>
REPAIRS AND MAINTENANCE	<u>\$ 117,426</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 11,397
Insurance	7,697
Office Supplies and Postage	8,369
Website and Other	<u>3,718</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 31,181</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 4,070
Connection and Inspection Fees	148,969
Regulatory Assessment	6,276
Utilities	<u>9,955</u>
TOTAL OTHER EXPENDITURES	<u>\$ 169,270</u>
TOTAL EXPENDITURES	<u>\$ 2,798,118</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
INVESTMENTS
MARCH 31, 2024

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	\$ 5,722,602	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 4,048,159	\$
TexPool	XXXX0004	Varies	Daily	7,590,279	
TexPool	XXXX0006	Varies	Daily	1,163,243	
TOTAL DEBT SERVICE FUND				<u>\$ 12,801,681</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 583,168	\$
TexPool	XXXX0007	Varies	Daily	1,871,659	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 2,454,827</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 20,979,110</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, 2024

	Maintenance Taxes		Contract Taxes		Debt Service Taxes	
TAXES RECEIVABLE -						
APRIL 1, 2023	\$	33,677		\$	163,777	\$ 64,982
Adjustments to Beginning Balance		<u>3,697</u>	\$ 37,374		<u>19,195</u>	\$ 182,972
					<u>7,492</u>	\$ 72,474
Original 2023 Tax Levy	\$	1,231,028		\$	4,924,112	\$ 2,813,778
Adjustment to 2023 Tax Levy		<u>108,997</u>	<u>1,340,025</u>		<u>435,989</u>	<u>5,360,101</u>
					<u>249,137</u>	<u>3,062,915</u>
TOTAL TO BE ACCOUNTED FOR			\$ 1,377,399		\$ 5,543,073	\$ 3,135,389
TAX COLLECTIONS:						
Prior Years	\$	31,822		\$	156,511	\$ 62,720
Current Year		<u>1,307,277</u>	<u>1,339,099</u>		<u>5,229,109</u>	<u>5,385,620</u>
					<u>2,988,062</u>	<u>3,050,782</u>
TAXES RECEIVABLE -						
MARCH 31, 2024		<u>\$ 38,300</u>		<u>\$ 157,453</u>		<u>\$ 84,607</u>
TAXES RECEIVABLE BY YEAR:						
2023		\$ 32,748		\$ 130,992		\$ 74,853
2022		3,424		16,893		6,620
2021		2,015		9,066		2,820
2020		<u>113</u>		<u>502</u>		<u>314</u>
TOTAL		<u>\$ 38,300</u>		<u>\$ 157,453</u>		<u>\$ 84,607</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2024

	2023	2022	2021	2020
PROPERTY VALUATIONS:				
Land	\$ 205,241,575	\$ 170,715,557	\$ 154,386,144	\$ 120,273,906
Improvements	892,399,431	675,325,808	397,132,054	282,095,106
Personal Property	7,916,458	7,154,142	3,063,757	1,880,829
Exemptions	<u>(148,396,581)</u>	<u>(100,533,640)</u>	<u>(21,236,493)</u>	<u>(11,209,515)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 957,160,883</u>	<u>\$ 752,661,867</u>	<u>\$ 533,345,462</u>	<u>\$ 393,040,326</u>
TAX RATES PER \$100 VALUATION:				
Contract	\$ 0.56	\$ 0.74	\$ 0.90	\$ 0.80
Debt Service	0.32	0.29	0.28	0.50
Maintenance	<u>0.14</u>	<u>0.15</u>	<u>0.20</u>	<u>0.18</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.02</u>	<u>\$ 1.18</u>	<u>\$ 1.38</u>	<u>\$ 1.48</u>
ADJUSTED TAX LEVY*	<u>\$ 9,763,041</u>	<u>\$ 8,881,410</u>	<u>\$ 7,360,167</u>	<u>\$ 5,816,996</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>97.56 %</u>	<u>99.70 %</u>	<u>99.81 %</u>	<u>99.98 %</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, 2024

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
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			
2048			
2049			
	<u>\$ 2,090,000</u>	<u>\$ 838,090</u>	<u>\$ 2,928,090</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2024

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
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			
2048			
2049			
	<u>\$ 4,730,000</u>	<u>\$ 1,956,524</u>	<u>\$ 6,686,524</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2024

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
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			
2048			
2049			
	<u>\$ 4,020,000</u>	<u>\$ 1,490,825</u>	<u>\$ 5,510,825</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2024

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
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			
2048			
2049			
	<u>\$ 6,580,000</u>	<u>\$ 1,809,815</u>	<u>\$ 8,389,815</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2024

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
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
2048			
2049			
	<u>\$ 5,630,000</u>	<u>\$ 1,627,041</u>	<u>\$ 7,257,041</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2024

ROAD SERIES - 2023

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2025	\$ 160,000	\$ 1,043,100	\$ 1,203,100
2026	455,000	1,020,806	1,475,806
2027	470,000	987,275	1,457,275
2028	480,000	952,838	1,432,838
2029	495,000	917,494	1,412,494
2030	500,000	881,425	1,381,425
2031	510,000	852,463	1,362,463
2032	520,000	830,575	1,350,575
2033	535,000	808,156	1,343,156
2034	550,000	785,100	1,335,100
2035	550,000	761,037	1,311,037
2036	565,000	735,950	1,300,950
2037	575,000	709,581	1,284,581
2038	585,000	682,031	1,267,031
2039	590,000	654,125	1,244,125
2040	600,000	625,862	1,225,862
2041	605,000	597,244	1,202,244
2042	620,000	568,150	1,188,150
2043	625,000	538,191	1,163,191
2044	635,000	507,478	1,142,478
2045	1,170,000	462,750	1,632,750
2046	1,475,000	396,625	1,871,625
2047	2,030,000	309,000	2,339,000
2048	2,520,000	195,250	2,715,250
2049	2,645,000	66,125	2,711,125
	<u>\$ 20,465,000</u>	<u>\$ 16,888,631</u>	<u>\$ 37,353,631</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 830,000	\$ 1,659,090	\$ 2,489,090
2026	1,155,000	1,613,182	2,768,182
2027	1,205,000	1,558,436	2,763,436
2028	1,245,000	1,505,314	2,750,314
2029	1,290,000	1,451,819	2,741,819
2030	1,330,000	1,396,152	2,726,152
2031	1,375,000	1,345,161	2,720,161
2032	1,425,000	1,299,700	2,724,700
2033	1,475,000	1,252,640	2,727,640
2034	1,530,000	1,203,936	2,733,936
2035	1,580,000	1,153,010	2,733,010
2036	1,635,000	1,099,802	2,734,802
2037	1,695,000	1,043,885	2,738,885
2038	1,750,000	985,165	2,735,165
2039	1,815,000	924,382	2,739,382
2040	1,875,000	861,345	2,736,345
2041	1,940,000	795,906	2,735,906
2042	2,010,000	728,149	2,738,149
2043	2,080,000	657,394	2,737,394
2044	2,155,000	583,624	2,738,624
2045	2,230,000	503,559	2,733,559
2046	2,315,000	414,625	2,729,625
2047	2,410,000	313,275	2,723,275
2048	2,520,000	195,250	2,715,250
2049	2,645,000	66,125	2,711,125
	<u>\$ 43,515,000</u>	<u>\$ 24,610,926</u>	<u>\$ 68,125,926</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2024

Description	Original Bonds Issued	Bonds Outstanding April 1, 2023
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2017	\$ 2,440,000	\$ 2,155,000
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2018	5,400,000	4,875,000
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2019	4,500,000	4,150,000
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2020	7,045,000	6,745,000
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2021	590,000	5,770,000
Harris County Municipal Utility District No. 502 Unlimited Tax Road Bonds - Series 2023	<u>20,465,000</u>	<u> </u>
TOTAL	<u>\$ 40,440,000</u>	<u>\$ 23,695,000</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>20,465,000</u>	<u> </u>
Remaining to be Issued	<u>\$ 143,905,000</u>	<u>\$ 53,285,000</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, 2024</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 65,000	\$ 73,862	\$ 2,090,000	The Bank of New York Mellon Trust Company, N.A.
	145,000	170,575	4,730,000	The Bank of New York Mellon Trust Company, N.A.
	130,000	129,550	4,020,000	The Bank of New York Mellon Trust Company, N.A.
	165,000	145,932	6,580,000	The Bank of New York Mellon Trust Company, N.A.
	140,000	119,581	5,630,000	The Bank of New York Mellon Trust Company, N.A.
<u>20,465,000</u>		<u>346,720</u>	<u>20,465,000</u>	The Bank of New York Mellon Trust Company, N.A.
<u>\$ 20,465,000</u>	<u>\$ 645,000</u>	<u>\$ 986,220</u>	<u>\$ 43,515,000</u>	

Debt Service Fund cash and investment balances (excluding contract tax cash and investment balances) as of March 31, 2024:

\$ 5,456,715

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

\$ 2,725,037

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		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 1,339,099	\$ 1,125,879	\$ 1,063,302
Water Service	719,638	703,038	568,907
Wastewater Service	597,140	545,449	440,589
Water Authority Fees	1,029,498	964,823	612,872
Penalty and Interest	29,269	28,475	11,557
Tap Connection and Inspection Fees	215,347	244,265	469,755
Investment and Miscellaneous Revenues	242,874	97,204	999
TOTAL REVENUES	\$ 4,172,865	\$ 3,709,133	\$ 3,167,981
EXPENDITURES			
Professional Fees	\$ 187,940	\$ 145,085	\$ 139,494
Contracted Services	604,531	523,089	364,537
Purchased Water and Wastewater Services	664,200	567,216	463,401
Water Authority Assessments	1,023,570	958,115	593,736
Repairs and Maintenance	117,426	94,812	74,513
Other	200,451	285,940	299,200
TOTAL EXPENDITURES	\$ 2,798,118	\$ 2,574,257	\$ 1,934,881
NET CHANGE IN FUND BALANCE	\$ 1,374,747	\$ 1,134,876	\$ 1,233,100
BEGINNING FUND BALANCE	4,151,375	3,016,499	1,783,399
ENDING FUND BALANCE	\$ 5,526,122	\$ 4,151,375	\$ 3,016,499

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2021</u>	<u>2020</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
\$ 733,180	\$ 767,361	32.1 %	30.3 %	33.6 %	30.5 %	37.1 %
458,651	344,487	17.2	19.0	18.0	19.1	16.6
335,375	245,110	14.3	14.7	13.9	13.9	11.8
545,982	379,926	24.7	26.0	19.3	22.7	18.3
10,710	9,277	0.7	0.8	0.4	0.4	0.4
302,140	304,420	5.2	6.6	14.8	12.6	14.7
<u>18,521</u>	<u>22,585</u>	<u>5.8</u>	<u>2.6</u>		<u>0.8</u>	<u>1.1</u>
<u>\$ 2,404,559</u>	<u>\$ 2,073,166</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 127,967	\$ 135,517	4.5 %	3.9 %	4.4 %	5.3 %	6.5 %
251,295	187,977	14.5	14.1	11.5	10.5	9.1
412,216	405,450	15.9	15.3	14.6	17.1	19.6
479,581	362,349	24.5	25.8	18.7	19.9	17.5
66,049	79,972	2.8	2.6	2.4	2.7	3.9
<u>249,744</u>	<u>217,634</u>	<u>4.8</u>	<u>7.7</u>	<u>9.4</u>	<u>10.4</u>	<u>10.5</u>
<u>\$ 1,586,852</u>	<u>\$ 1,388,899</u>	<u>67.0 %</u>	<u>69.4 %</u>	<u>61.0 %</u>	<u>65.9 %</u>	<u>67.1 %</u>
\$ 817,707	\$ 684,267	<u>33.0 %</u>	<u>30.6 %</u>	<u>39.0 %</u>	<u>34.1 %</u>	<u>32.9 %</u>
<u>965,692</u>	<u>281,425</u>					
<u>\$ 1,783,399</u>	<u>\$ 965,692</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		
	2024	2023	2022
REVENUES			
Debt Service and Contract Tax Revenues	\$ 8,436,402	\$ 7,700,824	\$ 6,300,322
Penalty and Interest	66,100	49,998	40,473
Investment and Miscellaneous Revenues	505,858	190,354	6,540
TOTAL REVENUES	\$ 9,008,360	\$ 7,941,176	\$ 6,347,335
EXPENDITURES			
Tax Collection Expenditures	\$ 121,544	\$ 102,266	\$ 85,978
Debt Service Principal	645,000	605,000	460,000
Debt Service Interest and Fees	995,520	664,724	664,665
Contractual Obligation	4,377,784	3,629,320	2,925,259
TOTAL EXPENDITURES	\$ 6,139,848	\$ 5,001,310	\$ 4,135,902
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 2,868,512	\$ 2,939,866	\$ 2,211,433
OTHER FINANCING SOURCES (USES)			
Proceeds From Issuance of Long-Term Debt	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 2,868,512	\$ 2,939,866	\$ 2,211,433
BEGINNING FUND BALANCE	10,136,395	7,196,529	4,985,096
ENDING FUND BALANCE	\$ 13,004,907	\$ 10,136,395	\$ 7,196,529
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,613	1,565	1,435
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,591	1,551	1,423

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2021</u>	<u>2020</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
\$ 5,183,289	\$ 3,601,794	93.7 %	97.0 %	99.3 %	99.3 %	98.4 %
32,504	30,635	0.7	0.6	0.6	0.6	0.8
5,705	29,328	5.6	2.4	0.1	0.1	0.8
<u>\$ 5,221,498</u>	<u>\$ 3,661,757</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 71,747	\$ 56,954	1.3 %	1.3 %	1.4 %	1.4 %	1.6 %
295,000	180,000	7.2	7.6	7.2	5.6	4.9
562,951	395,398	11.1	8.4	10.5	10.8	10.8
<u>2,491,599</u>	<u>1,903,563</u>	<u>48.6</u>	<u>45.7</u>	<u>46.1</u>	<u>47.7</u>	<u>52.0</u>
<u>\$ 3,421,297</u>	<u>\$ 2,535,915</u>	<u>68.2 %</u>	<u>63.0 %</u>	<u>65.2 %</u>	<u>65.5 %</u>	<u>69.3 %</u>
<u>\$ 1,800,201</u>	<u>\$ 1,125,842</u>	<u>31.8 %</u>	<u>37.0 %</u>	<u>34.8 %</u>	<u>34.5 %</u>	<u>30.7 %</u>
<u>\$ - 0 -</u>	<u>\$ 306,514</u>					
\$ 1,800,201	\$ 1,432,356					
<u>3,184,895</u>	<u>1,752,539</u>					
<u>\$ 4,985,096</u>	<u>\$ 3,184,895</u>					
<u>1,080</u>	<u>857</u>					
<u>1,068</u>	<u>845</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2024

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, 2024	Expense Reimbursements for the year ended March 31, 2024	Title
Brian Thomas	05/22 - 05/26 (Elected)	\$ 1,855	\$ -0-	President
John Schleier	12/22 - 05/26 (Appointed)	\$ 2,368	\$ 158	Vice President
John Suppatkul	05/20 - 05/24 (Elected)	\$ 3,031	\$ 473	Secretary
Reginald Smith	12/20 - 05/24 (Appointed)	\$ 2,368	\$ 213	Assistant Secretary
Deanna Parmenter	03/24 - 05/26 (Appointed)	\$ -0-	\$ -0-	Director
Andrew Peebles (Resigned 03/24)	05/22 - 05/26 (Elected)	\$ 1,255	\$ 178	Former President

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 limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

The submission date of the most recent District Registration Form: June 5, 2024

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2024

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2024</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, L.L.P.	07/09/12	\$ 113,812	General Counsel
	03/02/11	\$ 615,704	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	03/02/11	\$ 17,000	Audit Related
		\$ 38,500	Bond Related
Myrtle Cruz, Inc.	08/03/22	\$ 26,604	Bookkeeper
Edminster, Hinshaw, Russ and Associates, Inc.	09/28/07	\$ 105,959	Engineer
RBC Capital Markets	09/28/07	\$ 160,575	Financial Advisor
Mary Jarmon	09/07/22	\$ -0-	Investment Officer
Environmental Development Partners	11/28/11	\$ 354,227	Operator
BLICO, Inc.	09/28/07	\$ 29,572	Tax Assessor/ Collector

See accompanying independent auditor's report.

