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# **Harris County Municipal Utility District No. 504 Harris County, Texas**

## **Independent Auditor's Report and Financial Statements**

June 30, 2023

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**Harris County Municipal Utility District No. 504**  
**June 30, 2023**

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## Independent Auditor's Report

Board of Directors  
Harris County Municipal Utility District No. 504  
Harris County, Texas

### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 504 (the District), as of and for the year ended June 30, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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

### ***Emphasis of Matter***

As discussed in Note 12 to the financial statements, the beginning net position in the government-wide financial statements has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

***Supplementary Information***

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

**FORVIS,LLP**

Houston, Texas  
November 8, 2023

# Harris County Municipal Utility District No. 504

## Management's Discussion and Analysis

### June 30, 2023

#### **Overview of the Financial Statements**

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

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

#### **Government-wide Financial Statements**

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

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

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

**Harris County Municipal Utility District No. 504**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2023**

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

**Fund Financial Statements**

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

**Governmental Funds**

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

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

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

**Notes to Financial Statements**

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

**Harris County Municipal Utility District No. 504**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2023**

**Financial Analysis of the District as a Whole**

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

**Summary of Net Position**

	<b>2023</b>	<b>Restated 2022</b>
Current and other assets	\$ 17,289,122	\$ 13,253,345
Capital and lease assets	49,673,910	43,729,491
Total assets	\$ 66,963,032	\$ 56,982,836
Long-term liabilities	\$ 104,675,117	\$ 91,676,688
Other liabilities	1,957,593	1,473,318
Total liabilities	106,632,710	93,150,006
Net position:		
Net investment in capital assets	(55,011,970)	(47,454,812)
Restricted	7,867,275	5,735,647
Unrestricted	7,475,017	5,551,995
Total net position	\$ (39,669,678)	\$ (36,167,170)

The total net position of the District decreased by \$3,502,508, or about 10 percent. The decrease in net position is primarily related to the conveyance of capital assets to another governmental entity for ownership and maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Changes in Net Position**

	<b>2023</b>	<b>Restated 2022</b>
Revenues:		
Property taxes	\$ 8,311,305	\$ 6,612,048
Charges for services	1,995,222	1,817,403
Other revenues	886,350	340,039
Total revenues	11,192,877	8,769,490



**Harris County Municipal Utility District No. 504**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2023**

**Summary of Changes in Net Position (Continued)**

	<b>2023</b>	<b>Restated 2022</b>
Expenses:		
Services	\$ 3,570,253	\$ 3,256,837
Conveyance of capital assets	5,950,811	3,128,540
Depreciation and amortization	1,169,713	1,086,548
Debt service	4,004,608	3,327,255
Total expenses	14,695,385	10,799,180
Change in net position	(3,502,508)	(2,029,690)
Net position, beginning of year	(36,167,170)	(34,137,480)
Net position, end of year	\$ (39,669,678)	\$ (36,167,170)

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended June 30, 2023, were \$16,422,698, an increase of \$3,934,987 from the prior year.

The general fund's fund balance increased by \$1,926,842. This increase was primarily due to property tax and service revenues exceeding service operation expenditures. In addition, tap connection revenues exceeded the related tap connection expenditures.

The debt service fund's fund balance increased by \$2,456,223, primarily due to property tax revenues generated exceeding principal and interest payments on the District's bonded indebtedness.

The capital project fund's fund balance decreased by \$448,078. This decrease was primarily due to capital outlay expenditures, debt issuance costs and the redemption of the 2021 bond anticipation note being greater than proceeds received from the sales of bonds and the 2023 bond anticipation note.

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax, sewer service and tap connection and inspection fees revenues, investment income, and purchased services and repairs and maintenance expenditures being greater than anticipated, as well as tap connection expenditures being less than anticipated. In addition, capital outlay expenditures and debt issuance costs incurred were not included in the budget. The fund balance as of June 30, 2023, was expected to be \$6,718,827 and the actual end-of-year fund balance was \$7,446,269.

**Harris County Municipal Utility District No. 504**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2023**

**Capital and Lease Assets and Related Debt**

**Capital and Lease Assets**

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

**Capital and Lease Assets (Net of Accumulated Depreciation and Amortization)**

	<b>2023</b>	<b>Restated 2022</b>
Land and improvements	\$ 16,857,691	\$ 13,568,353
Construction in progress	131,068	-
Water facilities	13,800,036	12,151,851
Wastewater facilities	14,627,945	13,288,713
Drainage facilities	2,597,887	2,664,662
Recreational facilities	99,234	105,850
Lease assets	1,560,049	1,950,062
Total capital and lease assets	\$ 49,673,910	\$ 43,729,491

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

Water and sewer facilities to serve The Groves, Sections 25-26, 28-37, 39 and 41; trunk utilities to serve development along Woodland Hills Drive; West Lake Grove and Williams Gully Trail street dedication; and Woodland Hills Drive and Madera Run Parkway turn lanes and traffic signal	\$ 3,082,158
Water plant expansion Nos. 2 and 3	379,770
Wastewater treatment plant expansion, Phase 3	49,992
Lift station Nos. 1 and 3 and 14"-effluent force main	181,806
Construction in progress related to booster pump No. 7 expansion and ground storage tank, No. 4	131,068
Clearing and grubbing to serve The Groves, Sections 30-37 and 40-41; drainage reserves No. 8, Phase 2	344,559
Detention and mass grading to serve The Groves, Section 40	881,667
0.2427-acre lift station, No. 3, Reserve A	2,317
5.521-acre tract to serve Madera Run Parkway street dedication, Section 4	185,601
4.897-acre tract to serve Madera Run Parkway street dedication, Section 5	164,624
12.840-acre tract to serve Madera Run Parkway street dedication, Section 6	431,647
2.201-acre tract to serve Timber Forest Drive street dedication, Section 4	73,992

**Harris County Municipal Utility District No. 504**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2023**

7.9137-acre tract to serve Woodland Hills Drive street dedication, Section 2	\$ 266,038
8.288-acre site to serve drainage reserve, No. 6, 7.7488-acre site to serve drainage reserve, No. 7 and 21.13-acre site to serve drainage reserve, No. 8	<u>938,893</u>
Total additions to capital assets	<u><u>\$ 7,114,132</u></u>

The developer within the District has constructed water, sewer, drainage, recreational and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if required. As of June 30, 2023, a liability for developer-constructed capital assets of \$11,894,365 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended June 30, 2023, are summarized as follows:

Long-term debt payable, beginning of year	\$ 91,676,688
Increases in long-term debt	35,564,093
Decreases in long-term debt	<u>22,565,664</u>
Long-term debt payable, end of year	<u><u>\$ 104,675,117</u></u>

At June 30, 2023, the District had \$175,380,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, \$114,980,000 of unlimited tax bonds authorized, but unissued, for financing and constructing road facilities, and \$40,700,000 of unlimited tax bonds authorized, but unissued, for financing and constructing recreational facilities.

The District's bonds carry an underlying rating of "Baa2" from Moody's Investors Service. The Series 2017, 2018, 2019, Road 2021A, 2022 and Road 2022A bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2020 and 2021 bonds carry a "AA" rating from Standard & Poor's and an "A1" rating from Moody's Investors Service by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

**Other Relevant Factors**

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent if the City complies with the

**Harris County Municipal Utility District No. 504**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2023**

requirements of Chapter 43, Texas Local Government Code, as amended, which may include voter approval. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Contingencies

The developer of the District is constructing water, sewer, drainage, recreational and road facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately \$3,370,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Events

On November 2, 2023, the District awarded the sales of its Series 2023 unlimited tax bonds in the amount of \$15,000,000, at a net effective interest rate of approximately 5.22 percent and its Series 2023A unlimited tax road bonds in the amount of \$3,400,000. at a net effective interest rate of approximately 5.24 percent. The bonds were sold to repay the District's developer for construction projects within the District and to redeem the Series 2023 Bond Anticipation Note.

**Harris County Municipal Utility District No. 504**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**June 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 238,277	\$ 107,097	\$ 45,392	\$ 390,766	\$ -	\$ 390,766
Certificates of deposit	2,102,290	240,000	-	2,342,290	-	2,342,290
Short-term investments	5,367,391	8,085,429	554,290	14,007,110	-	14,007,110
Receivables:						
Property taxes	28,748	51,634	-	80,382	-	80,382
Service accounts	319,322	-	-	319,322	-	319,322
Accrued penalty and interest	-	-	-	-	12,630	12,630
Accrued interest	32,203	6,078	-	38,281	-	38,281
Interfund receivables	32,503	-	837	33,340	(33,340)	-
Due from others	93,990	-	-	93,990	-	93,990
Prepaid expenditures	16,851	-	52,600	69,451	(65,100)	4,351
Capital and lease assets (net of accumulated depreciation and amortization):						
Land and improvements	-	-	-	-	16,857,691	16,857,691
Construction in progress	-	-	-	-	131,068	131,068
Infrastructure	-	-	-	-	31,025,868	31,025,868
Recreational facilities	-	-	-	-	99,234	99,234
Lease assets	-	-	-	-	1,560,049	1,560,049
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 8,231,575</u>	<u>\$ 8,490,238</u>	<u>\$ 653,119</u>	<u>\$ 17,374,932</u>	<u>\$ 49,588,100</u>	<u>\$ 66,963,032</u>

**Harris County Municipal Utility District No. 504**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**June 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>						
Accounts payable	\$ 445,304	\$ 3,307	\$ 71,284	\$ 519,895	\$ -	\$ 519,895
Accrued interest payable	-	-	-	-	1,119,081	1,119,081
Retainage payable	-	-	8,200	8,200	-	8,200
Customer deposits	308,783	-	-	308,783	-	308,783
Due to others	1,634	-	-	1,634	-	1,634
Interfund payables	837	32,503	-	33,340	(33,340)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,608,912	1,608,912
Due after one year	-	-	-	-	103,066,205	103,066,205
Total liabilities	<u>756,558</u>	<u>35,810</u>	<u>79,484</u>	<u>871,852</u>	<u>105,760,858</u>	<u>106,632,710</u>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	<u>28,748</u>	<u>51,634</u>	<u>0</u>	<u>80,382</u>	<u>(80,382)</u>	<u>0</u>
<b>Fund Balances/Net Position</b>						
Fund balances:						
Nonspendable, prepaid expenditures	16,851	-	52,600	69,451	(69,451)	-
Restricted:						
Unlimited tax bonds	-	8,402,794	-	8,402,794	(8,402,794)	-
Water, sewer and drainage	-	-	517,357	517,357	(517,357)	-
Roads	-	-	3,678	3,678	(3,678)	-
Assigned, operating reserve	95,000	-	-	95,000	(95,000)	-
Unassigned	<u>7,334,418</u>	<u>-</u>	<u>-</u>	<u>7,334,418</u>	<u>(7,334,418)</u>	<u>-</u>
Total fund balances	<u>7,446,269</u>	<u>8,402,794</u>	<u>573,635</u>	<u>16,422,698</u>	<u>(16,422,698)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,231,575</u>	<u>\$ 8,490,238</u>	<u>\$ 653,119</u>	<u>\$ 17,374,932</u>		
Net position:						
Net investment in capital assets					(55,011,970)	(55,011,970)
Restricted for debt service					7,347,977	7,347,977
Restricted for capital projects					519,298	519,298
Unrestricted					<u>7,475,017</u>	<u>7,475,017</u>
Total net position					<u>\$ (39,669,678)</u>	<u>\$ (39,669,678)</u>

**Harris County Municipal Utility District No. 504**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 2,891,001	\$ 5,424,002	\$ -	\$ 8,315,003	\$ (3,698)	\$ 8,311,305
Water service	1,217,479	-	-	1,217,479	-	1,217,479
Sewer service	777,743	-	-	777,743	-	777,743
Penalty and interest	27,108	37,822	-	64,930	646	65,576
Tap connection and inspection fees	321,734	-	-	321,734	-	321,734
Investment income	195,402	240,968	55,070	491,440	-	491,440
Other income	7,600	-	-	7,600	-	7,600
	<u>5,438,067</u>	<u>5,702,792</u>	<u>55,070</u>	<u>11,195,929</u>	<u>(3,052)</u>	<u>11,192,877</u>
<b>Total revenues</b>						
<b>Expenditures/Expenses</b>						
Service operations:						
Purchased services	1,102,169	-	-	1,102,169	-	1,102,169
Professional fees	198,371	13,846	-	212,217	208,913	421,130
Contracted services	585,742	64,533	-	650,275	4,000	654,275
Utilities	18,554	-	-	18,554	-	18,554
Repairs and maintenance	1,152,568	-	-	1,152,568	-	1,152,568
Tap connections	95,473	-	-	95,473	-	95,473
Other expenditures	114,463	11,621	-	126,084	-	126,084
Capital outlay	33,913	-	18,366,226	18,400,139	(18,400,139)	-
Conveyance of capital assets	-	-	-	-	5,950,811	5,950,811
Depreciation and amortization	-	-	-	-	1,169,713	1,169,713
Debt service:						
Principal retirement	-	815,000	7,920,000	8,735,000	(8,735,000)	-
Interest and fees	-	2,341,569	49,547	2,391,116	506,303	2,897,419
Lease payments	150,000	-	315,600	465,600	(465,600)	-
Debt issuance costs	59,972	-	1,047,217	1,107,189	-	1,107,189
	<u>3,511,225</u>	<u>3,246,569</u>	<u>27,698,590</u>	<u>34,456,384</u>	<u>(19,760,999)</u>	<u>14,695,385</u>
<b>Total expenditures/expenses</b>						
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,926,842</u>	<u>2,456,223</u>	<u>(27,643,520)</u>	<u>(23,260,455)</u>	<u>19,757,947</u>	

**Harris County Municipal Utility District No. 504**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances (Continued)**  
**Year Ended June 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Other Financing Sources (Uses)</b>						
General obligation bonds issued	\$ -	\$ -	\$ 20,500,000	\$ 20,500,000	\$ (20,500,000)	
Discount on debt issued	-	-	(614,558)	(614,558)	614,558	
Bond anticipation note issued	-	-	7,310,000	7,310,000	(7,310,000)	
Total other financing sources	<u>0</u>	<u>0</u>	<u>27,195,442</u>	<u>27,195,442</u>	<u>(27,195,442)</u>	
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	1,926,842	2,456,223	(448,078)	3,934,987	(3,934,987)	
<b>Change in Net Position</b>					(3,502,508)	\$ (3,502,508)
<b>Fund Balances/Net Position</b>						
Beginning of year, as previously reported	<u>5,519,427</u>	<u>5,946,571</u>	<u>1,021,713</u>	<u>12,487,711</u>	-	(28,716,597)
Adjustment applicable to prior years (Note 12)						<u>(7,450,573)</u>
Beginning of year, as restated						<u>(36,167,170)</u>
End of year	<u>\$ 7,446,269</u>	<u>\$ 8,402,794</u>	<u>\$ 573,635</u>	<u>\$ 16,422,698</u>	<u>\$ 0</u>	<u>\$ (39,669,678)</u>



# Harris County Municipal Utility District No. 504

## Notes to Financial Statements

June 30, 2023

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

Harris County Municipal Utility District No. 504 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective March 3, 2009, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended, and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, road and recreational facilities and to provide such facilities and services to the customers of the District.

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

#### ***Reporting Entity***

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

#### ***Government-wide and Fund Financial Statements***

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

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

# Harris County Municipal Utility District No. 504

## Notes to Financial Statements

### June 30, 2023

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

The District presents the following major governmental funds:

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

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

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

#### **Fund Balances – Governmental Funds**

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

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

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

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

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

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

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

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2023**

***Measurement Focus and Basis of Accounting***

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

***Interfund Transactions***

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

# Harris County Municipal Utility District No. 504

## Notes to Financial Statements

June 30, 2023

### ***Deferred Outflows and Inflows of Resources***

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

### ***Pension Costs***

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

### ***Use of Estimates***

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

### ***Investments and Investment Income***

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

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

### ***Property Taxes***

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2023, include collections during the current period or within 60 days of year-end related to the 2022 and prior years' tax levies.

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2023**

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2023, the 2022 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

**Capital Assets**

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

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

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

	<b>Years</b>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Recreational facilities	10-25

**Lease Assets**

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

**Debt Issuance Costs**

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

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2023**

***Long-term Obligations***

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

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

***Net Position/Fund Balances***

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

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

***Reconciliation of Government-wide and Fund Financial Statements***

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

Capital and lease assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 49,673,910
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	80,382
Prepaid lease expenditures are not reported as assets in the statement of net position.	(65,100)
Penalty and interest on delinquent taxes is not receivable in the current period and is not reportable in the funds.	12,630

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2023**

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	\$ (1,119,081)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(104,675,117)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (56,092,376)</u></u>

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

Change in fund balances.	\$ 3,934,987
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlay expenditures exceeded depreciation, noncapitalized costs and conveyance of capital assets in the current year.	11,532,302
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	614,558
Governmental funds report proceeds from the sales of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. For the statement of activities, these transactions do not have any effect on net position.	(19,075,000)
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	(3,052)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(506,303)</u>
Change in net position of governmental activities.	<u><u>\$ (3,502,508)</u></u>

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

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

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

At June 30, 2023, none of the District's bank balances were exposed to custodial credit risk.

***Investments***

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

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

The District invests in TexSTAR, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Directors, made up of participants and representatives of the administrator and investment manager, has oversight of TexSTAR. The District's investments may be redeemed at any time.

At June 30, 2023, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexSTAR	\$14,007,110	\$14,007,110	\$ 0	\$ 0	\$ 0



# Harris County Municipal Utility District No. 504

## Notes to Financial Statements

June 30, 2023

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

**Credit Risk.** Credit risk is the risk that this issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, the District's investments in TexSTAR were rated "AAAm" by Standard & Poor's.

### **Summary of Carrying Values**

The carrying values of deposits and investments shown previously are included in the balance sheet at June 30, 2023, as follows:

Carrying value:	
Deposits	\$ 2,733,056
Investments	<u>14,007,110</u>
Total	<u>\$ 16,740,166</u>

Included in the following statement of net position captions:

Cash	\$ 390,766
Certificates of deposit	2,342,290
Short-term investments	<u>14,007,110</u>
Total	<u>\$ 16,740,166</u>

### **Investment Income**

Investment income of \$491,440 for the year ended June 30, 2023, consisted of interest income.

### **Note 3: Capital and Lease Assets**

A summary of changes in capital and lease assets for the year ended June 30, 2023, is presented below.

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2023**

<b>Governmental Activities</b>	<b>Balances, Beginning of Year, Restated</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:			
Land and improvements	\$ 13,568,353	\$ 3,289,338	\$ 16,857,691
Construction in progress	-	131,068	131,068
Total capital assets, non-depreciable	<u>13,568,353</u>	<u>3,420,406</u>	<u>16,988,759</u>
Capital and lease assets, depreciable and amortizable:			
Water production and distribution facilities	13,109,665	1,985,064	15,094,729
Wastewater collection and treatment facilities	14,648,346	1,708,662	16,357,008
Drainage facilities	3,000,132	-	3,000,132
Recreational facilities	132,312	-	132,312
Lease asset - equipment	2,340,075	-	2,340,075
Total capital and lease assets, depreciable and amortizable	<u>33,230,530</u>	<u>3,693,726</u>	<u>36,924,256</u>
Less accumulated depreciation and amortization:			
Water production and distribution facilities	(957,814)	(336,879)	(1,294,693)
Wastewater collection and treatment facilities	(1,359,633)	(369,430)	(1,729,063)
Drainage facilities	(335,470)	(66,775)	(402,245)
Recreational facilities	(26,462)	(6,616)	(33,078)
Lease asset - equipment	(390,013)	(390,013)	(780,026)
Total accumulated depreciation and amortization	<u>(3,069,392)</u>	<u>(1,169,713)</u>	<u>(4,239,105)</u>
Total governmental activities, net	<u>\$ 43,729,491</u>	<u>\$ 5,944,419</u>	<u>\$ 49,673,910</u>

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2023, were as follows.

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2023**

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:					
General obligation bonds	\$ 66,755,000	\$ 20,500,000	\$ 815,000	\$ 86,440,000	\$ 1,205,000
Less discounts on bonds	1,913,003	614,558	45,895	2,481,666	-
	64,841,997	19,885,442	769,105	83,958,334	1,205,000
Lease liability	1,898,043	-	385,625	1,512,418	403,912
Bond anticipation note	7,920,000	7,310,000	7,920,000	7,310,000	-
Due to developer	17,016,648	8,368,651	13,490,934	11,894,365	-
Total governmental activities long-term liabilities	<u>\$ 91,676,688</u>	<u>\$ 35,564,093</u>	<u>\$ 22,565,664</u>	<u>\$ 104,675,117</u>	<u>\$ 1,608,912</u>

**General Obligation Bonds**

	<b>Series 2015</b>	<b>Series 2017</b>
Amounts outstanding, June 30, 2023	\$4,730,000	\$4,390,000
Interest rates	2.00% to 4.10%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2023/2044	September 1, 2023/2046
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2022	September 1, 2024
	<b>Series 2018</b>	<b>Series 2019</b>
Amounts outstanding, June 30, 2023	\$10,155,000	\$10,915,000
Interest rates	3.125% to 5.625%	3.00% to 5.50%
Maturity dates, serially beginning/ending	September 1, 2023/2047	September 1, 2023/2049
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2023	September 1, 2024

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

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2023**

	<b>Series 2020</b>	<b>Series 2021</b>
Amounts outstandings, June 30, 2023	\$11,850,000	\$15,000,000
Interest rates	2.00% to 4.50%	2.00% to 4.50%
Maturity dates, serially beginning/ending	September 1, 2023/2050	September 1, 2023/2050
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2025	September 1, 2026

	<b>Road Series 2021A</b>	<b>Series 2022</b>
Amounts outstanding, June 30, 2023	\$8,900,000	\$13,000,000
Interest rates	1.25% to 3.75%	3.25% to 5.75%
Maturity dates, serially beginning/ending	September 1, 2024/2051	September 1, 2024/2051
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2026	September 1, 2027

	<b>Road Series 2022A</b>
Amount outstanding, June 30, 2023	\$7,500,000
Interest rates	4.25% to 6.75%
Maturity dates, serially beginning/ending	September 1, 2025/2051
Interest payment dates	September 1/March 1
Callable date*	September 1, 2027

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

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at June 30, 2023.

# Harris County Municipal Utility District No. 504

## Notes to Financial Statements

June 30, 2023

Year	Principal	Interest	Total
2024	\$ 1,205,000	\$ 2,940,489	\$ 4,145,489
2025	1,735,000	2,784,623	4,519,623
2026	1,945,000	2,699,854	4,644,854
2027	2,030,000	2,609,784	4,639,784
2028	2,110,000	2,525,956	4,635,956
2029-2033	11,630,000	11,558,337	23,188,337
2034-2038	13,585,000	9,673,739	23,258,739
2039-2043	15,960,000	7,300,653	23,260,653
2044-2048	18,810,000	4,398,203	23,208,203
2049-2052	17,430,000	1,120,718	18,550,718
Total	<u>\$ 86,440,000</u>	<u>\$ 47,612,356</u>	<u>\$ 134,052,356</u>

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

**Bonds voted:**

Water, sewer and drainage facilities and refunding	\$ 247,320,000
Roads and refunding	131,380,000
Recreational facilities and refunding	40,700,000

**Bonds sold:**

Water, sewer and drainage facilities	71,940,000
Roads and refunding	16,400,000

***Lease Liability***

The following schedule shows the annual lease requirements to pay principal and interest on lease liability outstanding at June 30, 2023:

Year	Principal	Interest	Total
2024	\$ 403,912	\$ 61,688	\$ 465,600
2025	423,067	42,533	465,600
2026	379,389	22,961	402,350
2027	306,050	7,750	313,800
Total	<u>\$ 1,512,418</u>	<u>\$ 134,932</u>	<u>\$ 1,647,350</u>

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2023**

***Due to Developer***

The developer of the District has constructed water, sewer, drainage, recreational and road facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission, if required, from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$11,894,365. These amounts have been recorded in the financial statements as long-term liabilities.

***Bond Anticipation Note***

On April 13, 2023, the District sold its Series 2023 bond anticipation note in the amount of \$7,310,000. The note is dated April 13, 2023, bears interest at the rate of 4.70 percent and matures April 12, 2024, unless called for early redemption.

**Note 5: Significant Bond Resolution and Commission Requirements**

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended June 30, 2023, the District levied an ad valorem debt service tax at the rate of \$0.7700 per \$100 of assessed valuation, which resulted in a tax levy of \$5,435,333 on the taxable valuation of \$705,887,418 for the 2022 tax year. The principal and interest requirements to be paid from the tax revenues are \$4,528,680 of which \$1,403,906 has been paid and \$3,124,774 is due September 1, 2023.

**Note 6: Maintenance Taxes**

At an election held November 5, 2013, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended June 30, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.4100 per \$100 of assessed valuation, which resulted in a tax levy of \$2,894,139 on the taxable valuation of \$705,887,418 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

**Note 7: Wastewater Treatment Plant Leases**

On January 6, 2014, the District entered into a lease of a 395,000 gallons per-day (gpd) wastewater treatment plant. The initial term of the lease was for 60 months and called for monthly payments of \$18,600 and after the initial term, the lease continues for successive 90-day periods at a rate of \$12,500 per month. Payments are currently \$12,500 per month beginning March 2020. On February 10, 2020, the District entered into a lease for Phase III expansion of the wastewater treatment plant. The initial term of the lease is for 60 months and began in February 2021, with monthly lease payments of \$26,300. After the initial term, the lease continues for successive 90-day periods at a rate of \$13,650 per month. Lease expenditures for the current fiscal year were \$465,600.

# Harris County Municipal Utility District No. 504

## Notes to Financial Statements

June 30, 2023

### Note 8: Contracts With Other Governmental Units

#### ***Water Facilities Agreement***

On May 18, 2010, the developer of the District entered into a Water Facilities Cost Sharing Agreement (Water Facilities Agreement) with Harris County Municipal Utility District No. 412 (District No. 412) and Harris County Municipal Utility District No. 505 (District No. 505). The Water Facilities Agreement provides for the construction and operation of joint water facilities to be utilized by the parties to the Water Facilities Agreement. Construction costs are to be allocated based upon each district's projected number of equivalent single-family connections (ESFCs) to be served by the water facilities. Operating costs are to be billed based upon each district's actual ESFCs. The District has remitted an operating reserve of \$75,000 to District No. 412 and has recorded expenditures of \$704,811 for the year ended June 30, 2023, under the terms of the Water Facilities Agreement.

#### ***Sanitary Sewer Facilities Agreement***

On May 18, 2010, the developer of the District entered into a Sanitary Sewer Facilities Cost Sharing Agreement (Sanitary Sewer Facilities Agreement) with District No. 412 and District No. 505. The Sanitary Sewer Facilities Agreement provides for the construction and operation of joint sanitary sewer facilities to be utilized by the parties to the Sanitary Sewer Facilities Agreement. Construction costs are to be allocated based upon each district's projected number of ESFCs to be served by the sewer facilities. Operating costs are to be billed based upon each district's actual ESFCs. The District has remitted an operating reserve of \$10,000 to District No. 412 and has recorded expenditures of \$318,515 for the year ended June 30, 2023, under the terms of the Sanitary Sewer Facilities Agreement.

#### ***Drainage Facilities Agreement***

On May 18, 2010, the developer of the District entered into a Drainage Facilities Cost Sharing Agreement (Drainage Facilities Agreement) with District No. 412 and District No. 505. The Drainage Facilities Agreement provides for the construction and operation of joint drainage facilities to be utilized by the parties to the Drainage Facilities Agreement. Construction costs are to be allocated based upon each district's acreage served by the facilities. Operating costs are to be billed based upon each district's acreage served by the components of the facilities. The District has remitted an operating reserve of \$10,000 to District No. 412 and has recorded expenditures of \$78,843 for the year ended June 30, 2023, under the terms of the Drainage Facilities Agreement.

### Note 9: Risk Management

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

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 10: Contingencies**

The developer of the District is constructing water, sewer, drainage, recreational and road facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately \$3,370,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

**Note 11: Subsequent Events**

On November 2, 2023, the District awarded the sales of its Series 2023 unlimited tax bonds in the amount of \$15,000,000, at a net effective interest rate of approximately 5.22 percent and its Series 2023A unlimited tax road bonds in the amount of \$3,400,000. at a net effective interest rate of approximately 5.24 percent.. The bonds were sold to repay the District's developer for construction projects within the District and to redeem the Series 2023 Bond Anticipation Note.

**Note 12: Restatement of Prior Year Financial Statements**

Beginning net position in the government-wide financial statements has been restated for the correction of an error of \$7,450,573, due to road facilities having been incorrectly included in the District's capital assets, when these facilities were conveyed to another governmental entity for maintenance. This restatement reduced previously reported ending net position in the June 30, 2022 financial statements by \$7,450,573 and reduced the previously reported change in net position in the June 30, 2022, financial statements by \$645,209.



## **Required Supplementary Information**

**Harris County Municipal Utility District No. 504**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended June 30, 2023**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 2,400,000	\$ 2,891,001	\$ 491,001
Water service	1,200,000	1,217,479	17,479
Sewer service	614,000	777,743	163,743
Penalty and interest	25,000	27,108	2,108
Tap connection and inspection fees	165,000	321,734	156,734
Investment income	10,000	195,402	185,402
Other	-	7,600	7,600
	<u>4,414,000</u>	<u>5,438,067</u>	<u>1,024,067</u>
<b>Expenditures</b>			
Service operations:			
Purchased services	970,000	1,102,169	(132,169)
Professional fees	179,600	198,371	(18,771)
Contracted services	555,000	585,742	(30,742)
Utilities	15,000	18,554	(3,554)
Repairs and maintenance	1,021,000	1,152,568	(131,568)
Other expenditures	104,000	114,463	(10,463)
Tap connections	220,000	95,473	124,527
Capital outlay	-	33,913	(33,913)
Debt service:			
Debt issuance costs	-	59,972	(59,972)
Lease payments	150,000	150,000	-
	<u>3,214,600</u>	<u>3,511,225</u>	<u>(296,625)</u>
<b>Excess of Revenues Over Expenditures</b>	1,199,400	1,926,842	727,442
<b>Fund Balances, Beginning of Year</b>	<u>5,519,427</u>	<u>5,519,427</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 6,718,827</u></u>	<u><u>\$ 7,446,269</u></u>	<u><u>\$ 727,442</u></u>

**Harris County Municipal Utility District No. 504**  
**Notes to Required Supplementary Information**  
**June 30, 2023**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during the fiscal year ended 2023.

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

## **Supplementary Information**

**Harris County Municipal Utility District No. 504**  
**Other Schedules Included Within This Report**  
**June 30, 2023**

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

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 15-30
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years
- [X] Board Members, Key Personnel and Consultants

# Harris County Municipal Utility District No. 504

## Schedule of Services and Rates

### Year Ended June 30, 2023

1. Services provided by the District:

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

2. Retail service providers

a. Residential rates for a 5/8" meter (or equivalent) per the District's Rate Order dated January 5, 2023:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 36.50	5,000	N	\$ 2.25	5,001 to 10,000
				\$ 3.00	10,001 to 20,000
				\$ 3.50	20,001 to No Limit

Wastewater: \$ 30.00 0 Y

Does the District employ winter averaging for wastewater usage? Yes  No

Total charges per 10,000 gallons usage (including fees): Water \$ 47.75 Wastewater \$ 30.00

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered			x1.0	-
≤ 3/4"	1,690	1,684	x1.0	1,684
1"	178	178	x2.5	445
1 1/2"	2	2	x5.0	10
2"	34	34	x8.0	272
3"	3	3	x15.0	45
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	2	2	x80.0	160
10"	-	-	x115.0	-
Total water	1,909	1,903		2,616
Total wastewater	1,858	1,852	x1.0	1,852

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

Gallons pumped into the system:	253,106
Gallons billed to customers:	239,111
Water accountability ratio (gallons billed/gallons pumped):	94.47%

\*"ESFC" means equivalent single-family connections

**Harris County Municipal Utility District No. 504**  
**Schedule of General Fund Expenditures**  
**Year Ended June 30, 2023**

<b>Personnel (including benefits)</b>		\$ -
<b>Professional Fees</b>		
Auditing	\$ 24,000	
Legal	120,078	
Engineering	54,293	
Financial advisor	-	
	<u>          </u>	198,371
<b>Purchased Services for Resale</b>		
Bulk water and wastewater service purchases		1,102,169
<b>Regional Water Fee</b>		-
<b>Contracted Services</b>		
Bookkeeping	29,250	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	79,617	
Other contracted services	<u>69,219</u>	178,086
<b>Utilities</b>		18,554
<b>Repairs and Maintenance</b>		1,152,568
<b>Administrative Expenditures</b>		
Directors' fees	16,650	
Office supplies	37,843	
Insurance	12,830	
Other administrative expenditures	<u>47,140</u>	114,463
<b>Capital Outlay</b>		
Capitalized assets	33,913	
Expenditures not capitalized	<u>          </u>	33,913
<b>Tap Connection Expenditures</b>		95,473
<b>Lease Payments</b>		150,000
<b>Solid Waste Disposal</b>		407,656
<b>Fire Fighting</b>		-
<b>Parks and Recreation</b>		-
<b>Other Expenditures</b>		<u>59,972</u>
Total expenditures		<u><u>\$ 3,511,225</u></u>

**Harris County Municipal Utility District No. 504**  
**Schedule of Temporary Investments**  
**June 30, 2023**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Certificates of Deposit				
No. 170000424	3.25%	10/19/23	\$ 240,000	\$ 5,428
No. 529694	3.25%	09/19/23	240,000	5,428
No. 6000057387	4.94%	04/06/24	230,000	2,646
No. 9009005246	4.74%	04/06/24	230,000	2,539
No. 100000007993	4.89%	05/01/24	230,000	1,849
No. 70303524	4.30%	02/07/24	245,710	4,139
No. 95900012038965	4.30%	02/10/24	230,000	3,793
No. 626803	4.25%	02/18/24	226,580	3,482
No. 601977	4.60%	03/22/24	230,000	2,899
TexSTAR	5.10%	Demand	<u>5,367,391</u>	<u>-</u>
			<u>7,469,681</u>	<u>32,203</u>
<b>Debt Service Fund</b>				
Certificate of Deposit				
No. 33503	3.95%	11/08/23	240,000	6,078
TexSTAR	5.10%	Demand	8,010,012	-
TexSTAR	5.10%	Demand	<u>75,417</u>	<u>-</u>
			<u>8,325,429</u>	<u>6,078</u>
<b>Capital Projects Fund</b>				
TexSTAR	5.10%	Demand	551,278	-
TexSTAR	5.10%	Demand	<u>3,012</u>	<u>-</u>
			<u>554,290</u>	<u>0</u>
Totals			<u>\$ 16,349,400</u>	<u>\$ 38,281</u>



**Harris County Municipal Utility District No. 504**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended June 30, 2023**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 32,568	\$ 51,512
Additions and corrections to prior years' taxes	(6,958)	(11,209)
Adjusted receivable, beginning of year	25,610	40,303
 <b>2022 Original Tax Levy</b>	 2,690,106	 5,052,150
Additions and corrections	204,033	383,183
Adjusted tax levy	2,894,139	5,435,333
Total to be accounted for	2,919,749	5,475,636
Tax collections:		
Current year	(2,870,404)	(5,390,758)
Prior years	(20,597)	(33,244)
Receivable, end of year	\$ 28,748	\$ 51,634
 <b>Receivable, by Years</b>		
2022	\$ 23,735	\$ 44,575
2021	1,803	2,922
2020	739	1,164
2019	2,471	2,973
Receivable, end of year	\$ 28,748	\$ 51,634

**Harris County Municipal Utility District No. 504**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended June 30, 2023**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Property Valuations</b>				
Land	\$ 143,456,991	\$ 134,415,310	\$ 118,543,043	\$ 95,407,536
Improvements	634,360,475	393,451,958	258,507,594	178,947,807
Personal property	9,701,995	4,309,236	3,506,199	1,965,266
Exemptions	<u>(81,632,043)</u>	<u>(29,298,683)</u>	<u>(16,537,868)</u>	<u>(11,100,037)</u>
Total property valuations	<u>\$ 705,887,418</u>	<u>\$ 502,877,821</u>	<u>\$ 364,018,968</u>	<u>\$ 265,220,572</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.7700	\$ 0.8100	\$ 0.8500	\$ 0.7600
Maintenance tax rates*	<u>0.4100</u>	<u>0.5000</u>	<u>0.5400</u>	<u>0.6300</u>
Total tax rates per \$100 valuation	<u>\$ 1.1800</u>	<u>\$ 1.3100</u>	<u>\$ 1.3900</u>	<u>\$ 1.3900</u>
<b>Tax Levy</b>	<u>\$ 8,329,472</u>	<u>\$ 6,587,699</u>	<u>\$ 5,059,863</u>	<u>\$ 3,686,567</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

\*Maximum tax rate approved by voters: \$1.50 on November 5, 2013

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

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**June 30, 2023**

Due During Fiscal Years Ending June 30	Series 2015		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 120,000	\$ 184,319	\$ 304,319
2025	125,000	180,519	305,519
2026	130,000	176,340	306,340
2027	140,000	171,714	311,714
2028	145,000	166,636	311,636
2029	155,000	161,100	316,100
2030	160,000	155,095	315,095
2031	170,000	148,595	318,595
2032	180,000	141,595	321,595
2033	190,000	134,195	324,195
2034	200,000	126,395	326,395
2035	210,000	118,195	328,195
2036	220,000	109,595	329,595
2037	235,000	100,495	335,495
2038	245,000	90,773	335,773
2039	255,000	80,523	335,523
2040	270,000	69,895	339,895
2041	285,000	58,795	343,795
2042	300,000	46,945	346,945
2043	315,000	34,338	349,338
2044	330,000	21,115	351,115
2045	350,000	7,175	357,175
Totals	\$ 4,730,000	\$ 2,484,347	\$ 7,214,347

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2023**

Due During Fiscal Years Ending June 30	Series 2017		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 110,000	\$ 157,031	\$ 267,031
2025	110,000	153,731	263,731
2026	115,000	150,356	265,356
2027	115,000	146,907	261,907
2028	120,000	143,382	263,382
2029	120,000	139,782	259,782
2030	130,000	135,950	265,950
2031	130,000	131,807	261,807
2032	135,000	127,500	262,500
2033	135,000	123,029	258,029
2034	140,000	117,950	257,950
2035	145,000	112,250	257,250
2036	150,000	106,350	256,350
2037	155,000	100,250	255,250
2038	160,000	93,950	253,950
2039	165,000	87,656	252,656
2040	170,000	81,375	251,375
2041	175,000	74,906	249,906
2042	180,000	68,250	248,250
2043	185,000	61,406	246,406
2044	190,000	54,375	244,375
2045	195,000	47,156	242,156
2046	565,000	32,906	597,906
2047	595,000	11,156	606,156
Totals	\$ 4,390,000	\$ 2,459,411	\$ 6,849,411

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2023**

Due During Fiscal Years Ending June 30	Series 2018		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 220,000	\$ 385,806	\$ 605,806
2025	235,000	373,009	608,009
2026	245,000	359,509	604,509
2027	250,000	345,588	595,588
2028	260,000	331,244	591,244
2029	275,000	317,056	592,056
2030	280,000	305,806	585,806
2031	295,000	296,822	591,822
2032	305,000	287,256	592,256
2033	320,000	277,100	597,100
2034	335,000	266,247	601,247
2035	350,000	254,688	604,688
2036	365,000	242,394	607,394
2037	375,000	229,444	604,444
2038	395,000	215,969	610,969
2039	415,000	201,534	616,534
2040	430,000	186,219	616,219
2041	450,000	170,269	620,269
2042	470,000	153,593	623,593
2043	490,000	136,194	626,194
2044	510,000	117,750	627,750
2045	530,000	98,250	628,250
2046	560,000	77,812	637,812
2047	575,000	56,531	631,531
2048	1,220,000	22,875	1,242,875
Totals	\$ 10,155,000	\$ 5,708,965	\$ 15,863,965

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2023**

Due During Fiscal Years Ending June 30	Series 2019		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 185,000	\$ 339,450	\$ 524,450
2025	190,000	329,138	519,138
2026	200,000	320,912	520,912
2027	215,000	314,688	529,688
2028	230,000	308,012	538,012
2029	235,000	301,038	536,038
2030	250,000	293,762	543,762
2031	255,000	286,188	541,188
2032	265,000	278,387	543,387
2033	270,000	270,363	540,363
2034	275,000	262,187	537,187
2035	285,000	253,788	538,788
2036	290,000	245,162	535,162
2037	300,000	236,313	536,313
2038	310,000	227,162	537,162
2039	320,000	217,713	537,713
2040	330,000	207,962	537,962
2041	340,000	197,913	537,913
2042	345,000	187,422	532,422
2043	360,000	176,406	536,406
2044	370,000	165,000	535,000
2045	385,000	153,203	538,203
2046	395,000	141,016	536,016
2047	410,000	128,437	538,437
2048	420,000	115,469	535,469
2049	1,705,000	82,265	1,787,265
2050	1,780,000	27,813	1,807,813
Totals	\$ 10,915,000	\$ 6,067,169	\$ 16,982,169

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2023**

Due During Fiscal Years Ending June 30	Series 2020		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 215,000	\$ 298,913	\$ 513,913
2025	230,000	288,900	518,900
2026	240,000	278,325	518,325
2027	250,000	267,925	517,925
2028	255,000	260,375	515,375
2029	270,000	255,125	525,125
2030	275,000	249,675	524,675
2031	285,000	244,075	529,075
2032	290,000	238,325	528,325
2033	300,000	232,425	532,425
2034	310,000	226,325	536,325
2035	320,000	219,825	539,825
2036	335,000	212,656	547,656
2037	345,000	205,006	550,006
2038	350,000	197,187	547,187
2039	365,000	188,916	553,916
2040	375,000	179,894	554,894
2041	385,000	170,394	555,394
2042	400,000	160,581	560,581
2043	410,000	150,456	560,456
2044	430,000	139,956	569,956
2045	440,000	129,081	569,081
2046	455,000	117,894	572,894
2047	470,000	106,331	576,331
2048	485,000	94,394	579,394
2049	500,000	81,769	581,769
2050	505,000	68,578	573,578
2051	2,360,000	30,975	2,390,975
Totals	\$ 11,850,000	\$ 5,294,281	\$ 17,144,281

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2023**

Due During Fiscal Years Ending June 30	Series 2021		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 355,000	\$ 344,222	\$ 699,222
2025	370,000	327,912	697,912
2026	390,000	310,812	700,812
2027	405,000	292,924	697,924
2028	420,000	279,613	699,613
2029	425,000	271,162	696,162
2030	440,000	262,513	702,513
2031	445,000	253,662	698,662
2032	460,000	244,613	704,613
2033	470,000	235,312	705,312
2034	485,000	225,761	710,761
2035	490,000	216,012	706,012
2036	500,000	206,112	706,112
2037	515,000	195,973	710,973
2038	535,000	185,462	720,462
2039	540,000	174,712	714,712
2040	560,000	163,713	723,713
2041	570,000	152,056	722,056
2042	590,000	139,731	729,731
2043	605,000	127,034	732,034
2044	620,000	114,019	734,019
2045	635,000	100,684	735,684
2046	650,000	86,625	736,625
2047	665,000	71,831	736,831
2048	685,000	56,644	741,644
2049	705,000	41,006	746,006
2050	720,000	24,975	744,975
2051	750,000	8,437	758,437
Totals	\$ 15,000,000	\$ 5,113,532	\$ 20,113,532



**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2023**

Due During Fiscal Years Ending June 30	Road Series 2021A		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ -	\$ 227,806	\$ 227,806
2025	205,000	223,963	428,963
2026	210,000	216,181	426,181
2027	220,000	208,119	428,119
2028	230,000	201,694	431,694
2029	230,000	197,956	427,956
2030	230,000	194,794	424,794
2031	230,000	190,769	420,769
2032	225,000	186,219	411,219
2033	230,000	181,669	411,669
2034	225,000	177,119	402,119
2035	225,000	172,478	397,478
2036	225,000	167,556	392,556
2037	220,000	162,413	382,413
2038	215,000	157,247	372,247
2039	215,000	152,141	367,141
2040	210,000	146,962	356,962
2041	210,000	141,712	351,712
2042	200,000	136,587	336,587
2043	200,000	131,588	331,588
2044	195,000	126,649	321,649
2045	190,000	121,719	311,719
2046	185,000	116,797	301,797
2047	180,000	112,006	292,006
2048	175,000	107,347	282,347
2049	170,000	102,712	272,712
2050	160,000	98,175	258,175
2051	150,000	93,913	243,913
2052	3,340,000	45,925	3,385,925
Totals	\$ 8,900,000	\$ 4,500,216	\$ 13,400,216

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2023**

Due During Fiscal Years Ending June 30	Series 2022		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ -	\$ 534,700	\$ 534,700
2025	270,000	526,938	796,938
2026	280,000	511,125	791,125
2027	290,000	494,738	784,738
2028	300,000	477,775	777,775
2029	315,000	460,881	775,881
2030	325,000	446,113	771,113
2031	340,000	432,812	772,812
2032	350,000	420,325	770,325
2033	360,000	408,787	768,787
2034	375,000	396,375	771,375
2035	390,000	382,500	772,500
2036	405,000	367,593	772,593
2037	420,000	351,600	771,600
2038	435,000	334,500	769,500
2039	455,000	316,700	771,700
2040	470,000	298,200	768,200
2041	485,000	279,100	764,100
2042	510,000	259,200	769,200
2043	525,000	238,500	763,500
2044	540,000	217,200	757,200
2045	565,000	195,100	760,100
2046	585,000	172,100	757,100
2047	610,000	148,200	758,200
2048	630,000	123,400	753,400
2049	655,000	97,700	752,700
2050	680,000	71,000	751,000
2051	700,000	43,400	743,400
2052	735,000	14,700	749,700
Totals	\$ 13,000,000	\$ 9,021,262	\$ 22,021,262

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2023**

Due During Fiscal Years Ending June 30	Road Series 2022A		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ -	\$ 468,242	\$ 468,242
2025	-	380,513	380,513
2026	135,000	376,294	511,294
2027	145,000	367,181	512,181
2028	150,000	357,225	507,225
2029	160,000	346,763	506,763
2030	165,000	335,793	500,793
2031	175,000	326,506	501,506
2032	185,000	318,856	503,856
2033	195,000	310,781	505,781
2034	205,000	302,281	507,281
2035	215,000	292,551	507,551
2036	225,000	281,550	506,550
2037	235,000	270,050	505,050
2038	245,000	258,050	503,050
2039	260,000	245,750	505,750
2040	270,000	233,162	503,162
2041	285,000	219,625	504,625
2042	300,000	205,000	505,000
2043	315,000	189,625	504,625
2044	330,000	173,500	503,500
2045	345,000	156,625	501,625
2046	365,000	138,875	503,875
2047	380,000	120,250	500,250
2048	400,000	100,750	500,750
2049	420,000	80,250	500,250
2050	440,000	58,750	498,750
2051	465,000	36,125	501,125
2052	490,000	12,250	502,250
Totals	\$ 7,500,000	\$ 6,963,173	\$ 14,463,173

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2023**

Due During Fiscal Years Ending June 30	<b>Annual Requirements For All Series</b>		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 1,205,000	\$ 2,940,489	\$ 4,145,489
2025	1,735,000	2,784,623	4,519,623
2026	1,945,000	2,699,854	4,644,854
2027	2,030,000	2,609,784	4,639,784
2028	2,110,000	2,525,956	4,635,956
2029	2,185,000	2,450,863	4,635,863
2030	2,255,000	2,379,501	4,634,501
2031	2,325,000	2,311,236	4,636,236
2032	2,395,000	2,243,076	4,638,076
2033	2,470,000	2,173,661	4,643,661
2034	2,550,000	2,100,640	4,650,640
2035	2,630,000	2,022,287	4,652,287
2036	2,715,000	1,938,968	4,653,968
2037	2,800,000	1,851,544	4,651,544
2038	2,890,000	1,760,300	4,650,300
2039	2,990,000	1,665,645	4,655,645
2040	3,085,000	1,567,382	4,652,382
2041	3,185,000	1,464,770	4,649,770
2042	3,295,000	1,357,309	4,652,309
2043	3,405,000	1,245,547	4,650,547
2044	3,515,000	1,129,564	4,644,564
2045	3,635,000	1,008,993	4,643,993
2046	3,760,000	884,025	4,644,025
2047	3,885,000	754,742	4,639,742
2048	4,015,000	620,879	4,635,879
2049	4,155,000	485,702	4,640,702
2050	4,285,000	349,291	4,634,291
2051	4,425,000	212,850	4,637,850
2052	4,565,000	72,875	4,637,875
Totals	<u>\$ 86,440,000</u>	<u>\$ 47,612,356</u>	<u>\$ 134,052,356</u>

**Harris County Municipal Utility District No. 504**  
**Changes in Long-term Bonded Debt**  
**Year Ended June 30, 2023**

**Bond**

	<b>Series 2015</b>	<b>Series 2017</b>	<b>Series 2018</b>	<b>Series 2019</b>
Interest rates	2.00% to 4.10%	2.00% to 4.00%	3.125% to 5.625%	3.00% to 5.50%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2023/2044	September 1, 2023/2046	September 1, 2023/2047	September 1, 2023/2049
Bonds outstanding, beginning of the	\$ 4,845,000	\$ 4,495,000	\$ 10,370,000	\$ 11,085,000
Bonds sold during the current year	-	-	-	-
Retirements, principal	<u>115,000</u>	<u>105,000</u>	<u>215,000</u>	<u>170,000</u>
Bonds outstanding, end of current year	<u>\$ 4,730,000</u>	<u>\$ 4,390,000</u>	<u>\$ 10,155,000</u>	<u>\$ 10,915,000</u>
Interest paid during the current year	<u>\$ 187,700</u>	<u>\$ 160,256</u>	<u>\$ 398,041</u>	<u>\$ 349,213</u>

Paying agent's name and address:

<b>Series 2015</b>	- <u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>
<b>Series 2017</b>	- <u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>
<b>Series 2018</b>	- <u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>
<b>Series 2019</b>	- <u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>
<b>Series 2020</b>	- <u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>
<b>Series 2021</b>	- <u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>
<b>Series 2021A</b>	- <u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>
<b>Series 2022</b>	- <u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>
<b>Series 2022A</b>	- <u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>

Bond authority:	<b>Utility Bonds and Refunding</b>	<b>Park Bonds and Refunding</b>	<b>Road Bonds and Refunding</b>
Amount authorized by voters	\$ 247,320,000	\$ 40,700,000	\$ 131,380,000
Amount issued	<u>\$ 71,940,000</u>	<u>\$ -</u>	<u>\$ 16,400,000</u>
Remaining to be issued	<u>\$ 175,380,000</u>	<u>\$ 40,700,000</u>	<u>\$ 114,980,000</u>

Debt service fund cash and temporary investment balances as of June 30, 2023: \$ 8,432,526

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 4,622,495

**Issues**

<b>Series 2020</b>	<b>Series 2021</b>	<b>Road Series 2021A</b>	<b>Series 2022</b>	<b>Road Series 2022A</b>	<b>Totals</b>
2.00% to 4.50%	2.00% to 4.50%	1.25% to 3.75%	3.25% to 5.75%	4.25% to 6.75%	
September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	
September 1, 2023/2050	September 1, 2023/2050	September 1, 2024/2051	September 1, 2024/2051	September 1, 2025/2051	
\$ 12,060,000	\$ 15,000,000	\$ 8,900,000	\$ -	\$ -	\$ 66,755,000
-	-	-	13,000,000	7,500,000	20,500,000
210,000	-	-	-	-	815,000
<u>\$ 11,850,000</u>	<u>\$ 15,000,000</u>	<u>\$ 8,900,000</u>	<u>\$ 13,000,000</u>	<u>\$ 7,500,000</u>	<u>\$ 86,440,000</u>
<u>\$ 308,475</u>	<u>\$ 352,213</u>	<u>\$ 271,469</u>	<u>\$ 307,452</u>	<u>\$ 0</u>	<u>\$ 2,334,819</u>

**Harris County Municipal Utility District No. 504**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended June 30,**

	Amounts				
	2023	2022	2021	2020	2019
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 2,891,001	\$ 2,596,079	\$ 1,946,225	\$ 1,779,293	\$ 1,191,882
Water service	1,217,479	1,159,286	868,117	657,937	474,205
Sewer service	777,743	658,117	469,384	352,525	253,271
Penalty and interest	27,108	24,699	12,828	8,119	9,372
Tap connection and inspection fees	321,734	271,943	715,541	429,145	435,747
Investment income	195,402	12,652	18,478	37,805	23,724
Other income	7,600	7,780	7,240	4,745	6,801
Total revenues	<u>5,438,067</u>	<u>4,730,556</u>	<u>4,037,813</u>	<u>3,269,569</u>	<u>2,395,002</u>
<b>Expenditures</b>					
Service operations:					
Purchased services	1,102,169	1,002,008	854,289	861,208	569,689
Professional fees	198,371	150,141	161,713	172,085	146,190
Contracted services	585,742	463,522	359,044	265,198	140,462
Utilities	18,554	10,876	15,402	8,862	7,088
Repairs and maintenance	1,152,568	992,364	841,846	635,354	495,430
Tap connections	95,473	233,776	365,591	267,435	280,608
Other expenditures	114,463	101,428	72,696	68,097	56,125
Capital outlay	33,913	158,437	65,410	-	-
Debt service:					
Lease payments	150,000	125,000	-	-	-
Debt issuance costs	59,972	-	-	-	-
Total expenditures	<u>3,511,225</u>	<u>3,237,552</u>	<u>2,735,991</u>	<u>2,278,239</u>	<u>1,695,592</u>
<b>Excess of Revenues Over Expenditures</b>	<u>1,926,842</u>	<u>1,493,004</u>	<u>1,301,822</u>	<u>991,330</u>	<u>699,410</u>
<b>Other Financing Sources</b>					
Interfund transfers in	-	8,526	12,000	15,500	107,105
Insurance proceeds	-	-	45,757	-	-
Total other financing sources	<u>0</u>	<u>8,526</u>	<u>57,757</u>	<u>15,500</u>	<u>107,105</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>1,926,842</u>	<u>1,501,530</u>	<u>1,359,579</u>	<u>1,006,830</u>	<u>806,515</u>
<b>Fund Balance, Beginning of Year</b>	<u>5,519,427</u>	<u>4,017,897</u>	<u>2,658,318</u>	<u>1,651,488</u>	<u>844,973</u>
<b>Fund Balance, End of Year</b>	<u>\$ 7,446,269</u>	<u>\$ 5,519,427</u>	<u>\$ 4,017,897</u>	<u>\$ 2,658,318</u>	<u>\$ 1,651,488</u>
<b>Total Active Retail Water Connections</b>	<u>1,903</u>	<u>1,805</u>	<u>1,567</u>	<u>1,207</u>	<u>884</u>
<b>Total Active Retail Wastewater Connections</b>	<u>1,852</u>	<u>1,753</u>	<u>1,516</u>	<u>1,164</u>	<u>846</u>

**Percent of Fund Total Revenues**

<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
53.2 %	54.9 %	48.1 %	54.4 %	49.8 %
22.4	24.5	21.6	20.1	19.8
14.3	13.9	11.7	10.8	10.6
0.5	0.5	0.3	0.3	0.4
5.9	5.7	17.7	13.1	18.2
3.6	0.3	0.4	1.2	1.0
0.1	0.2	0.2	0.1	0.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
20.3	21.2	21.2	26.3	23.8
3.6	3.2	4.0	5.3	6.1
10.8	9.8	8.9	8.1	5.9
0.3	0.2	0.4	0.3	0.3
21.2	21.0	20.8	19.4	20.7
1.8	4.9	9.1	8.2	11.7
2.1	2.1	1.8	2.1	2.3
0.6	3.4	1.6	-	-
2.8	2.6	-	-	-
1.1	-	-	-	-
<u>64.6</u>	<u>68.4</u>	<u>67.8</u>	<u>69.7</u>	<u>70.8</u>
<u><u>35.4 %</u></u>	<u><u>31.6 %</u></u>	<u><u>32.2 %</u></u>	<u><u>30.3 %</u></u>	<u><u>29.2 %</u></u>



**Harris County Municipal Utility District No. 504**  
**Comparative Schedule of Revenues and Expenditures – Debt Service Fund**  
**Five Years Ended June 30,**

	Amounts				
	2023	2022	2021	2020	2019
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 5,424,002	\$ 4,185,786	\$ 3,045,169	\$ 2,053,191	\$ 1,157,732
Penalty and interest	37,822	42,379	25,039	16,045	9,217
Investment income	240,968	11,880	4,024	14,380	13,170
Total revenues	<u>5,702,792</u>	<u>4,240,045</u>	<u>3,074,232</u>	<u>2,083,616</u>	<u>1,180,119</u>
<b>Expenditures</b>					
Current:					
Professional fees	13,846	11,809	8,275	3,471	2,126
Contracted services	64,533	77,107	56,286	40,261	28,440
Other expenditures	11,621	9,941	18,868	4,009	3,655
Debt service:					
Principal retirement	815,000	585,000	205,000	200,000	95,000
Interest and fees	2,341,569	1,614,532	1,314,900	1,016,680	706,693
Total expenditures	<u>3,246,569</u>	<u>2,298,389</u>	<u>1,603,329</u>	<u>1,264,421</u>	<u>835,914</u>
<b>Excess of Revenues Over Expenditures</b>	2,456,223	1,941,656	1,470,903	819,195	344,205
<b>Other Financing Sources</b>					
General obligation bonds issued	-	341,709	-	-	-
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	2,456,223	2,283,365	1,470,903	819,195	344,205
<b>Fund Balance, Beginning of Year</b>	<u>5,946,571</u>	<u>3,663,206</u>	<u>2,192,303</u>	<u>1,373,108</u>	<u>1,028,903</u>
<b>Fund Balance, End of Year</b>	<u>\$ 8,402,794</u>	<u>\$ 5,946,571</u>	<u>\$ 3,663,206</u>	<u>\$ 2,192,303</u>	<u>\$ 1,373,108</u>

**Percent of Fund Total Revenues**

2023	2022	2021	2020	2019
95.1 %	98.7 %	99.1 %	98.5 %	98.1 %
0.7	1.0	0.8	0.8	0.8
4.2	0.3	0.1	0.7	1.1
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.2	0.3	0.3	0.2	0.2
1.1	1.8	0.8	1.9	2.4
0.2	0.2	0.6	0.2	0.3
14.3	13.8	6.7	9.6	8.0
<u>41.1</u>	<u>38.1</u>	<u>42.8</u>	<u>48.8</u>	<u>59.9</u>
<u>56.9</u>	<u>54.2</u>	<u>51.2</u>	<u>60.7</u>	<u>70.8</u>
<u><u>43.1 %</u></u>	<u><u>45.8 %</u></u>	<u><u>48.8 %</u></u>	<u><u>39.3 %</u></u>	<u><u>29.2 %</u></u>

**Harris County Municipal Utility District No. 504**  
**Board Members, Key Personnel and Consultants**  
**Year Ended June 30, 2023**

Complete District mailing address:	Harris County Municipal Utility District No. 504 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 45.054):	July 22, 2022
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
John Hernandez	Elected 11/20- 05/24	\$ 4,350	\$ 1,964	President
Ebony McGowen	Elected 05/22- 05/26	3,900	1,002	Vice President
Kedrin Bell	Appointed 05/21- 05/24	1,800	880	Secretary
Kimberly Badu	Elected 11/20- 05/24	3,000	666	Assistant Vice President
Anthony Turner	Elected 05/22- 05/26	3,600	2,437	Assistant Secretary

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

**Harris County Municipal Utility District No. 504**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended June 30, 2023**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Allen Boone Humphries Robinson LLP	10/30/12	\$ 224,891 507,520	General Counsel Bond Counsel
Assessments of the Southwest, Inc.	03/07/13	33,386	Tax Assessor/ Collector
BGE, Inc.	10/30/12	163,334	Engineer
FORVIS, LLP	06/04/15	70,900	Auditor
Harris Central Appraisal District	Legislative Action	34,622	Appraiser
Inframark Services, LLC	09/05/13	751,331	Operator
Myrtle Cruz, Inc.	03/07/13	35,925	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/06/14	13,846	Delinquent Tax Attorney
Rathmann & Associates, L.P.	03/07/13	486,100	Financial Advisor
<b>Investment Officer</b>			
Mary Jarmon	03/07/13	N/A	Bookkeeper