




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

Independent Auditor's Report and Financial Statements

June 30, 2024



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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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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 Mazars, LLP

**Houston, Texas
November 6, 2024**

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.

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.

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 20,871,630	\$ 17,289,122
Capital and lease assets	52,943,959	49,673,910
Total assets	<u>\$ 73,815,589</u>	<u>\$ 66,963,032</u>
Long-term liabilities	\$ 112,870,090	\$ 104,675,117
Other liabilities	2,320,755	1,957,593
Total liabilities	<u>115,190,845</u>	<u>106,632,710</u>

Summary of Net Position (Continued)

	<u>2024</u>	<u>2023</u>
Net position:		
Net investment in capital assets	\$ (15,881,235)	\$ (14,654,313)
Restricted	10,262,905	7,867,275
Unrestricted	<u>(35,756,926)</u>	<u>(32,882,610)</u>
Total net position	<u>\$ (41,375,256)</u>	<u>\$ (39,669,648)</u>

The total net position of the District decreased by \$1,705,578, or about 4%. 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

	<u>2024</u>	<u>2023</u>
Revenues:		
Property taxes	\$ 8,796,637	\$ 8,311,305
Charges for services	2,138,001	1,995,222
Other revenues	<u>1,237,764</u>	<u>886,350</u>
Total revenues	<u>12,172,402</u>	<u>11,192,877</u>
Expenses:		
Services	4,583,629	3,570,253
Conveyance of capital assets	3,397,023	5,950,811
Depreciation and amortization	1,238,380	1,169,713
Debt service	<u>4,658,948</u>	<u>4,004,608</u>
Total expenses	<u>13,877,980</u>	<u>14,695,385</u>
Change in net position	(1,705,578)	(3,502,508)
Net position, beginning of year	<u>(39,669,678)</u>	<u>(36,167,170)</u>
Net position, end of year	<u>\$ (41,375,256)</u>	<u>\$ (39,669,678)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2024, were \$19,981,838, an increase of \$3,559,140 from the prior year.

The general fund's fund balance increased by \$518,620. This increase was primarily due to property tax and service revenues and investment income exceeding service operation expenditures.

The debt service fund's fund balance increased by \$2,575,360, primarily due to property tax revenues and investment income exceeding principal and interest payments on the District's bonded indebtedness.

The capital project fund's fund balance increased by \$465,160. This increase was primarily due to proceeds received from the sales of bonds being greater than capital outlay expenditures, debt issuance costs and the redemption of 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 tap connection and inspection fees revenues, investment income, and purchased services and repairs and maintenance expenditures being greater than anticipated. In addition, capital outlay expenditures incurred and an interfund transfer from the capital projects fund were not included in the budget. The fund balance as of June 30, 2024, was expected to be \$8,500,269 and the actual end-of-year fund balance was \$7,964,889.

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)

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 17,246,695	\$ 16,857,691
Construction in progress	1,199,602	131,068
Water facilities	15,134,118	13,800,036
Wastewater facilities	15,569,778	14,627,945
Drainage facilities	2,531,113	2,597,887
Recreational facilities	92,618	99,234
Lease assets	1,170,035	1,560,049
	<u>\$ 52,943,959</u>	<u>\$ 49,673,910</u>
Total capital and lease assets		

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

Water and sewer facilities to serve The Groves, Sections 30-34, 37, 40, 42 and 43; utility extension to serve 26-acre Woodland Hills Drive commercial reserve and Gramina Way Street Dedication	\$ 2,662,535
Water plant expansion Nos. 2 and 3	99,978
Booster pump No. 7 expansion	58,502
Lift station No. 2 expansion	115,945
14"-effluent force main	16,776
Construction in progress related to ground storage tank, No. 4	1,165,689
Clearing and grubbing to serve West Lake Grove Drive and Williams Gully Trail Street Dedication	1,604

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Management's Discussion and Analysis
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(Continued)

8.288-acre site to serve drainage reserve No. 6	\$ 76,618
7.7488-acre site to serve drainage reserve No. 7	71,633
21.13-acre site to serve drainage reserve No. 8	195,335
0.6140-acre site to serve West Lake Grove Drive and Williams Gully Trail Street Dedication	21,466
0.6392-acre site to serve Gramina Way	<u>22,348</u>
Total additions to capital assets	<u><u>\$ 4,508,429</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, 2024, a liability for developer-constructed capital assets of \$11,104,005 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, 2024, are summarized as follows:

Long-term debt payable, beginning of year	\$ 104,675,117
Increases in long-term debt	22,070,258
Decreases in long-term debt	<u>13,875,285</u>
Long-term debt payable, end of year	<u><u>\$ 112,870,090</u></u>

At June 30, 2024, the District had \$160,380,000 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, \$111,580,000 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 "Baa1" from Moody's Investors Service. The Series 2017, 2018, 2019, Road 2021A, 2022, Road 2022A and Road 2023A bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2020, 2021 and 2023 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, Inc.

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 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 \$2,580,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Harris County Municipal Utility District No. 504
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 308,062	\$ 88,699	\$ 12,674	\$ 409,435	\$ -	\$ 409,435
Certificates of deposit	1,857,110	230,000	-	2,087,110	-	2,087,110
Short-term investments	5,914,093	10,673,747	1,136,227	17,724,067	-	17,724,067
Receivables:						
Property taxes	32,834	81,658	-	114,492	-	114,492
Service accounts	369,640	-	-	369,640	-	369,640
Accrued interest	39,220	8,367	-	47,587	-	47,587
Interfund receivables	56,822	-	-	56,822	(56,822)	-
Due from others	94,525	-	-	94,525	-	94,525
Prepaid expenditures	63,574	-	26,300	89,874	(65,100)	24,774
Capital and lease assets (net of accumulated depreciation and amortization):						
Land and improvements	-	-	-	-	17,246,695	17,246,695
Construction in progress	-	-	-	-	1,199,602	1,199,602
Infrastructure	-	-	-	-	33,235,009	33,235,009
Recreational facilities	-	-	-	-	92,618	92,618
Lease assets	-	-	-	-	1,170,035	1,170,035
Total assets	<u>\$ 8,735,880</u>	<u>\$ 11,082,471</u>	<u>\$ 1,175,201</u>	<u>\$ 20,993,552</u>	<u>\$ 52,822,037</u>	<u>\$ 73,815,589</u>

Harris County Municipal Utility District No. 504
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2024

(Continued)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Liabilities						
Accounts payable	\$ 383,252	\$ -	\$ 50,128	\$ 433,380	\$ -	\$ 433,380
Accrued interest payable	-	-	-	-	1,480,355	1,480,355
Retainage payable	-	-	52,115	52,115	-	52,115
Customer deposits	351,297	-	-	351,297	-	351,297
Due to others	3,608	-	-	3,608	-	3,608
Interfund payables	-	22,659	34,163	56,822	(56,822)	-
Long-term liabilities:						
Due within one year	-	-	-	-	2,158,067	2,158,067
Due after one year	-	-	-	-	110,712,023	110,712,023
Total liabilities	<u>738,157</u>	<u>22,659</u>	<u>136,406</u>	<u>897,222</u>	<u>114,293,623</u>	<u>115,190,845</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>32,834</u>	<u>81,658</u>	<u>-</u>	<u>114,492</u>	<u>(114,492)</u>	<u>-</u>
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	63,574	-	26,300	89,874	(89,874)	-
Restricted:						
Unlimited tax bonds	-	9,033,610	-	9,033,610	(9,033,610)	-
Unlimited tax rod bonds	-	1,944,544	-	1,944,544	(1,944,544)	-
Water, sewer and drainage	-	-	1,004,859	1,004,859	(1,004,859)	-
Roads	-	-	7,636	7,636	(7,636)	-
Assigned, operating reserve	95,000	-	-	95,000	(95,000)	-
Unassigned	<u>7,806,315</u>	<u>-</u>	<u>-</u>	<u>7,806,315</u>	<u>(7,806,315)</u>	<u>-</u>
Total fund balances	<u>7,964,889</u>	<u>10,978,154</u>	<u>1,038,795</u>	<u>19,981,838</u>	<u>(19,981,838)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,735,880</u>	<u>\$11,082,471</u>	<u>\$ 1,175,201</u>	<u>\$20,993,552</u>		
Net position:						
Net investment in capital assets					(15,881,235)	(15,881,235)
Restricted for debt service					9,579,457	9,579,457
Restricted for capital projects					683,448	683,448
Unrestricted					<u>(35,756,926)</u>	<u>(35,756,926)</u>
Total net position					<u>\$ (41,375,256)</u>	<u>\$ (41,375,256)</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, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 2,399,694	\$ 6,362,833	\$ -	\$ 8,762,527	\$ 34,110	\$ 8,796,637
Water service	1,365,577	-	-	1,365,577	-	1,365,577
Sewer service	772,424	-	-	772,424	-	772,424
Penalty and interest	29,293	53,915	-	83,208	(12,630)	70,578
Tap connection and inspection fees	291,495	-	-	291,495	-	291,495
Investment income	369,940	432,474	63,120	865,534	-	865,534
Other income	10,157	-	-	10,157	-	10,157
Total revenues	5,238,580	6,849,222	63,120	12,150,922	21,480	12,172,402
Expenditures/Expenses						
Service operations:						
Purchased services	1,485,550	-	-	1,485,550	-	1,485,550
Professional fees	269,614	18,186	-	287,800	14,452	302,252
Contracted services	861,379	101,546	-	962,925	-	962,925
Utilities	21,749	-	-	21,749	-	21,749
Repairs and maintenance	1,441,790	-	-	1,441,790	-	1,441,790
Tap connections	241,812	-	-	241,812	-	241,812
Other expenditures	125,213	2,338	-	127,551	-	127,551
Capital outlay	203,443	-	8,506,821	8,710,264	(8,710,264)	-
Conveyance of capital assets	-	-	-	-	3,397,023	3,397,023
Depreciation and amortization	-	-	-	-	1,238,380	1,238,380
Debt service:						
Principal retirement	-	1,205,000	7,310,000	8,515,000	(8,515,000)	-
Interest and fees	-	2,946,792	224,026	3,170,818	478,126	3,648,944
Lease payments	150,000	-	315,600	465,600	(465,600)	-
Debt issuance costs	-	-	1,010,004	1,010,004	-	1,010,004
Total expenditures/expenses	4,800,550	4,273,862	17,366,451	26,440,863	(12,562,883)	13,877,980
Excess (Deficiency) of Revenues Over Expenditures	438,030	2,575,360	(17,303,331)	(14,289,941)	12,584,363	
Other Financing Sources (Uses)						
Interfund transfers in (out)	80,590	-	(80,590)	-	-	
General obligation bonds issued	-	-	18,400,000	18,400,000	(18,400,000)	
Discount on debt issued	-	-	(550,919)	(550,919)	550,919	
Total other financing sources	80,590	-	17,768,491	17,849,081	(17,849,081)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	518,620	2,575,360	465,160	3,559,140	(3,559,140)	
Change in Net Position					(1,705,578)	(1,705,578)
Fund Balances/Net Position						
Beginning of year	7,446,269	8,402,794	573,635	16,422,698	-	(39,669,678)
End of year	<u>\$ 7,964,889</u>	<u>\$ 10,978,154</u>	<u>\$ 1,038,795</u>	<u>\$ 19,981,838</u>	<u>\$ -</u>	<u>\$(41,375,256)</u>

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.

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.

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Notes to Financial Statements
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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.

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.

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.

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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, 2024, include collections during the current period or within 60 days of year-end related to the 2023 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2024, the 2023 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:

	<u>Years</u>
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.

Long-Term Obligations

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

Harris County Municipal Utility District No. 504
Notes to Financial Statements
June 30, 2024

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.	\$ 52,943,959
Property tax revenue recognition and the related reduction of deferred of deferred inflows of resources are subject to availability of funds in the fund financial statements.	114,492
Prepaid lease expenditures are not reported as assets in the statement of net position.	(65,100)
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(1,480,355)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(112,870,090)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ (61,357,094)</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.	\$ 3,559,140
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 and amortization expense, noncapitalized costs and conveyance of capital assets in the current period.	4,060,409

Harris County Municipal Utility District No. 504
Notes to Financial Statements
June 30, 2024

Governmental funds report lease payments as expenditures. For the statement of activities, these amounts are reported as a reduction of lease liability and interest expense.	\$ 465,600
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.	550,919
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.	(9,885,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	21,480
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>(478,126)</u>
Change in net position of governmental activities.	<u><u>\$ (1,705,578)</u></u>

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, 2024, 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.

Harris County Municipal Utility District No. 504
Notes to Financial Statements
June 30, 2024

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. The District's investments in Tex STAR are reported at amortized cost.

At June 30, 2024, the District had the following investments and maturities:

<u>Type</u>	<u>Maturities in Years</u>			
	<u>Amortized Cost</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
TexSTAR	<u>\$ 17,724,067</u>	<u>\$ 17,724,067</u>	<u>\$ 0</u>	<u>\$ 0</u>

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, 2024, 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, 2024, as follows:

Carrying value:	
Deposits	\$ 2,496,545
Investments	<u>17,724,067</u>
Total	<u>\$ 20,220,612</u>

Included in the following statement of net position captions:

Cash	\$ 409,435
Certificates of deposit	2,087,110
Short-term investments	<u>17,724,067</u>
Total	<u>\$ 20,220,612</u>

Investment Income

Investment income of \$865,534 for the year ended June 30, 2024, consisted of interest income.

Harris County Municipal Utility District No. 504
Notes to Financial Statements
June 30, 2024

Note 3. Capital and Lease Assets

A summary of changes in capital and lease assets for the year ended June 30, 2024, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassi- fications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 16,857,691	\$ 389,004	\$ -	\$ 17,246,695
Construction in progress	131,068	1,165,689	(97,155)	1,199,602
Total capital assets, non-depreciable	<u>16,988,759</u>	<u>1,554,693</u>	<u>(97,155)</u>	<u>18,446,297</u>
Capital and lease assets, depreciable and amortizable:				
Water production and distribution facilities	15,094,729	1,612,248	97,155	16,804,132
Wastewater collection and treatment facilities	16,357,008	1,341,488	-	17,698,496
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>36,924,256</u>	<u>2,953,736</u>	<u>97,155</u>	<u>39,975,147</u>
Less accumulated depreciation and amortization:				
Water production and distribution facilities	(1,294,693)	(375,321)	-	(1,670,014)
Wastewater collection and treatment facilities	(1,729,063)	(399,655)	-	(2,128,718)
Drainage facilities	(402,245)	(66,774)	-	(469,019)
Recreational facilities	(33,078)	(6,616)	-	(39,694)
Lease asset - equipment	(780,026)	(390,014)	-	(1,170,040)
Total accumulated depreciation and amortization	<u>(4,239,105)</u>	<u>(1,238,380)</u>	<u>-</u>	<u>(5,477,485)</u>
Total governmental activities, net	<u>\$ 49,673,910</u>	<u>\$ 3,270,049</u>	<u>\$ -</u>	<u>\$ 52,943,959</u>

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2024, were as follows.

Harris County Municipal Utility District No. 504
Notes to Financial Statements
June 30, 2024

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances, End of Year</u>	<u>Amounts Due in One Year</u>
Bonds payable:					
General obligation bonds	\$ 86,440,000	\$ 18,400,000	\$ 1,205,000	\$ 103,635,000	\$ 1,735,000
Less discounts on bonds	2,481,666	550,919	55,164	2,977,421	-
	83,958,334	17,849,081	1,149,836	100,657,579	1,735,000
Lease liability	1,512,418	-	403,912	1,108,506	423,067
Bond anticipation note	7,310,000	-	7,310,000	-	-
Due to developer	11,894,365	4,221,177	5,011,537	11,104,005	-
Total governmental activities long-term liabilities	<u>\$ 104,675,117</u>	<u>\$ 22,070,258</u>	<u>\$ 13,875,285</u>	<u>\$ 112,870,090</u>	<u>\$ 2,158,067</u>

General Obligation Bonds

	<u>Series 2015</u>	<u>Series 2017</u>
Amounts outstanding, June 30, 2024	\$4,610,000	\$4,280,000
Interest rates	2.00% to 4.10%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2024/2044	September 1, 2024/2046
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2022	September 1, 2024
	<u>Series 2018</u>	<u>Series 2019</u>
Amounts outstanding, June 30, 2024	\$9,935,000	\$10,730,000
Interest rates	3.125% to 5.625%	3.00% to 5.50%
Maturity dates, serially beginning/ending	September 1, 2024/2047	September 1, 2024/2049
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, 2024

	Series 2020	Series 2021
Amounts outstanding, June 30, 2024	\$11,635,000	\$14,645,000
Interest rates	2.00% to 4.50%	2.00% to 4.50%
Maturity dates, serially beginning/ending	September 1, 2024/2050	September 1, 2024/2050
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2025	September 1, 2026
	Road Series 2021A	Series 2022
Amounts outstanding, June 30, 2024	\$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
	Road Series 2022A	Series 2023
Amounts outstanding, June 30, 2024	\$7,500,000	\$15,000,000
Interest rates	4.25% to 6.75%	5.00% to 7.50%
Maturity dates, serially beginning/ending	September 1, 2025/2051	September 1, 2026/2053
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2027	September 1, 2028
		Road Series 2023A
Amount outstanding, June 30, 2024		\$3,400,000
Interest rates		5.00% to 7.50%
Maturity dates, serially beginning/ending		September 1, 2025/2050
Interest payment dates		September 1/March 1
Callable date*		September 1, 2028

*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, 2024

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, 2024.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,735,000	\$ 3,967,513	\$ 5,702,513
2026	1,955,000	3,658,580	5,613,580
2027	2,125,000	3,564,572	5,689,572
2028	2,225,000	3,472,869	5,697,869
2029	2,310,000	3,388,776	5,698,776
2030-2034	12,845,000	15,727,055	28,572,055
2035-2039	15,175,000	13,446,359	28,621,359
2040-2044	18,175,000	10,619,446	28,794,446
2045-2049	21,905,000	7,094,899	28,999,899
2050-2054	25,185,000	2,843,263	28,028,263
Total	<u>\$ 103,635,000</u>	<u>\$ 67,783,332</u>	<u>\$ 171,418,332</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	86,940,000
Roads and refunding	19,800,000

Lease Liability

The following schedule shows the annual lease requirements to pay principal and interest on lease liability outstanding at June 30, 2024:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 423,067	\$ 42,533	\$ 465,600
2026	379,389	22,961	402,350
2027	306,050	7,750	313,800
Total	<u>\$ 1,108,506</u>	<u>\$ 73,244</u>	<u>\$ 1,181,750</u>

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 \$11,104,005. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5. Significant Bond Resolution and Commission Requirements

- (A) 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, 2024, the District levied an ad valorem debt service tax at the rate of \$0.6300 per \$100 of assessed valuation, which resulted in a tax levy of \$5,248,793 on the taxable valuation of \$833,141,797 for the 2023 tax year. The principal and interest requirements to be paid from the tax revenues are \$4,321,653 of which \$1,108,447 has been paid and \$3,213,206 is due September 1, 2024 .
- (B) The Road Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on road bonds when due. During the year ended June 30, 2024, the District levied an ad valorem road debt service tax at the rate of \$0.1400 per \$100 of assessed valuation, which resulted in a tax levy of \$1,166,399 on the taxable valuation of \$833,141,797 for the 2023 tax year. The principal and interest requirements to be paid from the road tax revenues and available resources are \$941,900 of which \$304,160 has been paid and \$637,740 is due September 1, 2024.
- (C) During the current year, the District transferred \$80,590 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

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, 2024, the District levied an ad valorem maintenance tax at the rate of \$0.2900 per \$100 of assessed valuation, which resulted in a tax levy of \$2,416,111 on the taxable valuation of \$833,141,797 for the 2023 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.

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 \$1,045,106 for the year ended June 30, 2024, 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 \$353,401 for the year ended June 30, 2024, 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 \$87,043 for the year ended June 30, 2024, 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.

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 \$2,580,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Required Supplementary Information

**Harris County Municipal Utility District No. 504
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 2,400,000	\$ 2,399,694	\$ (306)
Water service	1,350,000	1,365,577	15,577
Sewer service	710,000	772,424	62,424
Penalty and interest	40,000	29,293	(10,707)
Tap connection and inspection fees	165,000	291,495	126,495
Investment income	125,000	369,940	244,940
Other	-	10,157	10,157
	<u>4,790,000</u>	<u>5,238,580</u>	<u>448,580</u>
Expenditures			
Service operations:			
Purchased services	1,150,000	1,485,550	(335,550)
Professional fees	184,000	269,614	(85,614)
Contracted services	795,000	861,379	(66,379)
Utilities	20,000	21,749	(1,749)
Repairs and maintenance	1,143,000	1,441,790	(298,790)
Other expenditures	134,000	125,213	8,787
Tap connections	160,000	241,812	(81,812)
Capital outlay	-	203,443	(203,443)
Debt service:			
Lease payments	150,000	150,000	-
	<u>3,736,000</u>	<u>4,800,550</u>	<u>(1,064,550)</u>
Excess of Revenues Over Expenditures	1,054,000	438,030	(615,970)
Other Financing Sources			
Interfund transfers in	-	80,590	80,590
Excess of Revenues and Other Financing Sources over Expenditures and Other Financial Uses	1,054,000	518,620	(535,380)
Fund Balances, Beginning of Year	<u>7,446,269</u>	<u>7,446,269</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 8,500,269</u>	<u>\$ 7,964,889</u>	<u>\$ (535,380)</u>

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 June 30, 2024.

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, 2024

(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 12-24
- [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, 2024

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 July 6, 2023:

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
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"	1,846	1,840	x1.0	1,840
1"	181	181	x2.5	453
1 1/2"	3	3	x5.0	15
2"	36	36	x8.0	288
3"	3	2	x15.0	30
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	3	3	x80.0	240
10"	-	-	x115.0	-
Total water	2,072	2,065		2,866
Total wastewater	2,017	2,010	x1.0	2,010

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

Gallons pumped into the system:	308,962
Gallons billed to customers:	271,650
Water accountability ratio (gallons billed/gallons pumped):	87.92%

*"ESFC" means equivalent single-family connections

**Harris County Municipal Utility District No. 504
Schedule of General Fund Expenditures
Year Ended June 30, 2024**

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 26,000	
Legal	157,232	
Engineering	86,382	
Financial advisor	-	269,614
Purchased Services for Resale		
Bulk water and wastewater service purchases		1,485,550
Regional Water Fee		-
Contracted Services		
Bookkeeping	24,525	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	252,014	
Other contracted services	116,051	392,590
Utilities		21,749
Repairs and Maintenance		1,441,790
Administrative Expenditures		
Directors' fees	26,908	
Office supplies	57,220	
Insurance	13,222	
Other administrative expenditures	27,863	125,213
Capital Outlay		
Capitalized assets	115,945	
Expenditures not capitalized	87,498	203,443
Tap Connection Expenditures		241,812
Lease Payments		150,000
Solid Waste Disposal		468,789
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total expenditures		<u><u>\$ 4,800,550</u></u>

Harris County Municipal Utility District No. 504
Schedule of Temporary Investments
June 30, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
Certificates of Deposit				
No. 529693	5.50%	09/19/24	\$ 230,000	\$ 9,877
No. 6550131901	5.65%	10/23/24	230,000	8,936
No. 6000057387	5.50%	04/06/25	230,000	2,946
No. 95900012155618	5.35%	02/10/25	230,000	4,754
No. 626803	5.26%	08/18/24	236,178	4,527
No. 601977	5.30%	03/22/25	230,000	3,340
No. 9009005246	5.31%	10/05/24	240,932	2,979
No. 30000007993	5.37%	05/06/25	230,000	1,861
TexSTAR	5.33%	Demand	5,914,093	-
			<u>7,771,203</u>	<u>39,220</u>
Debt Service Fund				
Certificate of Deposit				
No. 33503	5.65%	11/08/24	230,000	8,367
TexSTAR	5.33%	Demand	1,994,544	-
TexSTAR	5.33%	Demand	8,679,203	-
			<u>10,903,747</u>	<u>8,367</u>
Capital Projects Fund				
TexSTAR	5.33%	Demand	7,357	-
TexSTAR	5.33%	Demand	1,128,870	-
			<u>1,136,227</u>	<u>-</u>
Totals			<u>\$ 19,811,177</u>	<u>\$ 47,587</u>

Harris County Municipal Utility District No. 504
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2024

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>	<u>Road Debt Service Taxes</u>
Receivable, Beginning of Year	\$ 28,748	\$ 51,634	\$ -
Additions and corrections to prior years' taxes	(12,331)	(22,335)	-
Adjusted receivable, beginning of year	<u>16,417</u>	<u>29,299</u>	<u>-</u>
2023 Original Tax Levy	2,337,186	5,077,336	1,128,297
Additions and corrections	78,925	171,457	38,102
Adjusted tax levy	<u>2,416,111</u>	<u>5,248,793</u>	<u>1,166,399</u>
Total to be accounted for	2,432,528	5,278,092	1,166,399
Tax collections: Current year	(2,388,495)	(5,188,799)	(1,153,067)
Prior years	(11,199)	(20,967)	-
Receivable, end of year	<u>\$ 32,834</u>	<u>\$ 68,326</u>	<u>\$ 13,332</u>
Receivable, by Years			
2023	\$ 27,616	\$ 59,994	\$ 13,332
2022	2,497	4,690	-
2021	223	361	-
2020	736	1,157	-
2019	1,762	2,124	-
Receivable, end of year	<u>\$ 32,834</u>	<u>\$ 68,326</u>	<u>\$ 13,332</u>

**Harris County Municipal Utility District No. 504
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2024**

(Continued)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Valuations				
Land	\$ 146,600,575	\$ 143,456,991	\$ 134,415,310	\$ 118,543,043
Improvements	798,075,225	634,360,475	393,451,958	258,507,594
Personal property	10,434,842	9,701,995	4,309,236	3,506,199
Exemptions	<u>(121,968,845)</u>	<u>(81,632,043)</u>	<u>(29,298,683)</u>	<u>(16,537,868)</u>
Total property valuations	<u>\$ 833,141,797</u>	<u>\$ 705,887,418</u>	<u>\$ 502,877,821</u>	<u>\$ 364,018,968</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.6300	\$ 0.7700	\$ 0.8100	\$ 0.8500
Road debt service tax rates	0.1400	-	-	-
Maintenance tax rates*	<u>0.2900</u>	<u>0.4100</u>	<u>0.5000</u>	<u>0.5400</u>
Total tax rates per \$100 valuation	<u>\$ 1.0600</u>	<u>\$ 1.1800</u>	<u>\$ 1.3100</u>	<u>\$ 1.3900</u>
Tax Levy	<u>\$ 8,831,303</u>	<u>\$ 8,329,472</u>	<u>\$ 6,587,698</u>	<u>\$ 5,059,865</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.50 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, 2024

Due During Fiscal Years Ending June 30	Series 2015		
	Principal Due September 1	Interest Due September 1, March 1	Total
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	\$ 4,610,000	\$ 2,300,028	\$ 6,910,028

Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Series 2017		
	Principal Due September 1	Interest Due September 1, March 1	Total
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	<u>\$ 4,280,000</u>	<u>\$ 2,302,380</u>	<u>\$ 6,582,380</u>

Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Series 2018		
	Principal Due September 1	Interest Due September 1, March 1	Total
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	\$ 9,935,000	\$ 5,323,159	\$ 15,258,159

**Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024**

(Continued)

Due During Fiscal Years Ending June 30	Series 2019		
	Principal Due September 1	Interest Due September 1, March 1	Total
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	\$ 10,730,000	\$ 5,727,719	\$ 16,457,719

Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Series 2020		
	Principal Due September 1	Interest Due September 1, March 1	Total
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	<u>\$ 11,635,000</u>	<u>\$ 4,995,368</u>	<u>\$ 16,630,368</u>

Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Series 2021		
	Principal Due September 1	Interest Due September 1, March 1	Total
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	<u>\$ 14,645,000</u>	<u>\$ 4,769,310</u>	<u>\$ 19,414,310</u>

Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Road Series 2021A		
	Principal Due September 1	Interest Due September 1, March 1	Total
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	<u>\$ 8,900,000</u>	<u>\$ 4,272,410</u>	<u>\$ 13,172,410</u>

Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Series 2022		
	Principal Due September 1	Interest Due September 1, March 1	Total
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	<u>\$ 13,000,000</u>	<u>\$ 8,486,562</u>	<u>\$ 21,486,562</u>

**Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024**

(Continued)

<u>Due During Fiscal Years Ending June 30</u>	<u>Road Series 2022A</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
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	<u>\$ 7,500,000</u>	<u>\$ 6,494,931</u>	<u>\$ 13,994,931</u>

**Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024**

(Continued)

Due During Fiscal Years Ending June 30	Series 2023		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ -	\$ 966,640	\$ 966,640
2026	-	783,763	783,763
2027	85,000	780,575	865,575
2028	105,000	773,450	878,450
2029	110,000	765,388	875,388
2030	120,000	756,763	876,763
2031	130,000	747,388	877,388
2032	135,000	737,450	872,450
2033	135,000	727,325	862,325
2034	130,000	717,388	847,388
2035	135,000	707,450	842,450
2036	140,000	698,888	838,888
2037	145,000	691,763	836,763
2038	155,000	684,263	839,263
2039	155,000	676,513	831,513
2040	165,000	668,513	833,513
2041	175,000	660,013	835,013
2042	180,000	651,138	831,138
2043	190,000	641,888	831,888
2044	205,000	632,012	837,012
2045	215,000	621,512	836,512
2046	225,000	610,512	835,512
2047	235,000	599,012	834,012
2048	250,000	586,887	836,887
2049	260,000	574,137	834,137
2050	280,000	560,637	840,637
2051	295,000	546,262	841,262
2052	305,000	531,262	836,262
2053	5,030,000	397,887	5,427,887
2054	5,310,000	136,068	5,446,068
Totals	\$ 15,000,000	\$ 19,632,747	\$ 34,632,747

**Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024**

(Continued)

<u>Due During Fiscal Years Ending June 30</u>	<u>Road Series 2023A</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ -	\$ 216,250	\$ 216,250
2026	10,000	174,963	184,963
2027	10,000	174,213	184,213
2028	10,000	173,463	183,463
2029	15,000	172,525	187,525
2030	25,000	171,025	196,025
2031	30,000	169,188	199,188
2032	45,000	166,938	211,938
2033	45,000	164,238	209,238
2034	55,000	161,238	216,238
2035	60,000	157,788	217,788
2036	70,000	154,238	224,238
2037	85,000	150,363	235,363
2038	100,000	145,737	245,737
2039	105,000	140,612	245,612
2040	125,000	134,862	259,862
2041	135,000	128,362	263,362
2042	155,000	121,112	276,112
2043	170,000	112,987	282,987
2044	190,000	103,987	293,987
2045	210,000	93,987	303,987
2046	230,000	82,987	312,987
2047	255,000	70,862	325,862
2048	275,000	57,612	332,612
2049	300,000	43,050	343,050
2050	330,000	26,906	356,906
2051	360,000	9,225	369,225
Totals	<u>\$ 3,400,000</u>	<u>\$ 3,478,718</u>	<u>\$ 6,878,718</u>

Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 1,735,000	\$ 3,967,513	\$ 5,702,513
2026	1,955,000	3,658,580	5,613,580
2027	2,125,000	3,564,572	5,689,572
2028	2,225,000	3,472,869	5,697,869
2029	2,310,000	3,388,776	5,698,776
2030	2,400,000	3,307,289	5,707,289
2031	2,485,000	3,227,812	5,712,812
2032	2,575,000	3,147,464	5,722,464
2033	2,650,000	3,065,224	5,715,224
2034	2,735,000	2,979,266	5,714,266
2035	2,825,000	2,887,525	5,712,525
2036	2,925,000	2,792,094	5,717,094
2037	3,030,000	2,693,670	5,723,670
2038	3,145,000	2,590,300	5,735,300
2039	3,250,000	2,482,770	5,732,770
2040	3,375,000	2,370,757	5,745,757
2041	3,495,000	2,253,145	5,748,145
2042	3,630,000	2,129,559	5,759,559
2043	3,765,000	2,000,422	5,765,422
2044	3,910,000	1,865,563	5,775,563
2045	4,060,000	1,724,492	5,784,492
2046	4,215,000	1,577,524	5,792,524
2047	4,375,000	1,424,616	5,799,616
2048	4,540,000	1,265,378	5,805,378
2049	4,715,000	1,102,889	5,817,889
2050	4,895,000	936,834	5,831,834
2051	5,080,000	768,337	5,848,337
2052	4,870,000	604,137	5,474,137
2053	5,030,000	397,887	5,427,887
2054	5,310,000	136,068	5,446,068
Totals	<u>\$ 103,635,000</u>	<u>\$ 67,783,332</u>	<u>\$ 171,418,332</u>

Harris County Municipal Utility District No. 504
Changes in Long-Term Bonded Debt
Year Ended June 30, 2024

Bond

	<u>Series 2015</u>	<u>Series 2017</u>	<u>Series 2018</u>	<u>Series 2019</u>
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, 2024/2044	September 1, 2024/2046	September 1, 2024/2047	September 1, 2024/2049
Bonds outstanding, beginning of the	\$ 4,730,000	\$ 4,390,000	\$ 10,155,000	\$ 10,915,000
Bonds sold during the current year	-	-	-	-
Retirements, principal	120,000	110,000	220,000	185,000
Bonds outstanding, end of current year	<u>\$ 4,610,000</u>	<u>\$ 4,280,000</u>	<u>\$ 9,935,000</u>	<u>\$ 10,730,000</u>
Interest paid during the current year	<u>\$ 184,319</u>	<u>\$ 157,031</u>	<u>\$ 385,806</u>	<u>\$ 339,450</u>

Paying agent's name and address:

- Series 2015** - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2017** - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2018** - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2019** - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2020** - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2021** - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2021A** - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2022** - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2022A** - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2023** - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
- Series 2023A** - The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority:	<u>Utility Bonds and Refunding</u>	<u>Park Bonds and Refunding</u>	<u>Road Bonds and Refunding</u>
Amount authorized by voters	\$ 247,320,000	\$ 40,700,000	\$ 131,380,000
Amount issued	<u>\$ 86,940,000</u>	<u>\$ -</u>	<u>\$ 19,800,000</u>
Remaining to be issued	<u>\$ 160,380,000</u>	<u>\$ 40,700,000</u>	<u>\$ 111,580,000</u>
Debt service fund cash and temporary investment balances as of June 30, 2024:			<u>\$ 10,992,446</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 5,713,944</u>

Issues

<u>Series 2020</u>	<u>Series 2021</u>	<u>Road Series 2021A</u>	<u>Series 2022</u>	<u>Road Series 2022A</u>	<u>Series 2023</u>
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%	5.00% to 7.50%
September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
September 1, 2024/2050	September 1, 2024/2050	September 1, 2024/2051	September 1, 2024/2051	September 1, 2025/2051	September 1, 2026/2053
\$ 11,850,000	\$ 15,000,000	\$ 8,900,000	\$ 13,000,000	\$ 7,500,000	\$ -
-	-	-	-	-	15,000,000
215,000	355,000	-	-	-	-
<u>\$ 11,635,000</u>	<u>\$ 14,645,000</u>	<u>\$ 8,900,000</u>	<u>\$ 13,000,000</u>	<u>\$ 7,500,000</u>	<u>\$ 15,000,000</u>
<u>\$ 298,913</u>	<u>\$ 344,225</u>	<u>\$ 227,806</u>	<u>\$ 534,700</u>	<u>\$ 468,242</u>	<u>\$ -</u>

	<u>Road Series 2023A</u>	<u>Totals</u>
Interest rates	5.00% to 7.50%	
Dates interest payable	September 1/ March 1	
Maturity dates	September 1, 2025/2050	
Bonds outstanding, beginning of the	\$ -	\$ 86,440,000
Bonds sold during the current year	3,400,000	18,400,000
Retirements, principal	<u>-</u>	<u>1,205,000</u>
Bonds outstanding, end of current year	<u>\$ 3,400,000</u>	<u>\$ 103,635,000</u>
Interest paid during the current year	<u>\$ -</u>	<u>\$ 2,940,492</u>

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

	Amounts				
	2024	2023	2022	2021	2020
General Fund					
Revenues					
Property taxes	\$ 2,399,694	\$ 2,891,001	\$ 2,596,079	\$ 1,946,225	\$ 1,779,293
Water service	1,365,577	1,217,479	1,159,286	868,117	657,937
Sewer service	772,424	777,743	658,117	469,384	352,525
Penalty and interest	29,293	27,108	24,699	12,828	8,119
Tap connection and inspection fees	291,495	321,734	271,943	715,541	429,145
Investment income	369,940	195,402	12,652	18,478	37,805
Other income	10,157	7,600	7,780	7,240	4,745
Total revenues	5,238,580	5,438,067	4,730,556	4,037,813	3,269,569
Expenditures					
Service operations:					
Purchased services	1,485,550	1,102,169	1,002,008	854,289	861,208
Professional fees	269,614	198,371	150,141	161,713	172,085
Contracted services	861,379	585,742	463,522	359,044	265,198
Utilities	21,749	18,554	10,876	15,402	8,862
Repairs and maintenance	1,441,790	1,152,568	992,364	841,846	635,354
Tap connections	241,812	95,473	233,776	365,591	267,435
Other expenditures	125,213	114,463	101,428	72,696	68,097
Capital outlay	203,443	33,913	158,437	65,410	-
Debt service:					
Lease payments	150,000	150,000	125,000	-	-
Debt issuance costs	-	59,972	-	-	-
Total expenditures	4,800,550	3,511,225	3,237,552	2,735,991	2,278,239
Excess of Revenues Over Expenditures	438,030	1,926,842	1,493,004	1,301,822	991,330
Other Financing Sources					
Interfund transfers in	80,590	-	8,526	12,000	15,500
Insurance proceeds	-	-	-	45,757	-
Total other financing sources	80,590	-	8,526	57,757	15,500
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	518,620	1,926,842	1,501,530	1,359,579	1,006,830
Fund Balance, Beginning of Year	7,446,269	5,519,427	4,017,897	2,658,318	1,651,488
Fund Balance, End of Year	\$ 7,964,889	\$ 7,446,269	\$ 5,519,427	\$ 4,017,897	\$ 2,658,318
Total Active Retail Water Connections	2,065	1,903	1,805	1,567	1,207
Total Active Retail Wastewater Connections	2,010	1,852	1,753	1,516	1,164

Percent of Fund Total Revenues

<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
45.8 %	53.2 %	54.9 %	48.1 %	54.4 %
26.1	22.4	24.5	21.6	20.1
14.7	14.3	13.9	11.7	10.8
0.5	0.5	0.5	0.3	0.3
5.6	5.9	5.7	17.7	13.1
7.1	3.6	0.3	0.4	1.2
0.2	0.1	0.2	0.2	0.1
100.0	100.0	100.0	100.0	100.0
28.4	20.3	21.2	21.2	26.3
5.1	3.6	3.2	4.0	5.3
16.4	10.8	9.8	8.9	8.1
0.4	0.3	0.2	0.4	0.3
27.5	21.2	21.0	20.8	19.4
4.6	1.8	4.9	9.1	8.2
2.4	2.1	2.1	1.8	2.1
3.9	0.6	3.4	1.6	-
2.9	2.8	2.6	-	-
-	1.1	-	-	-
91.6	64.6	68.4	67.8	69.7
8.4 %	35.4 %	31.6 %	32.2 %	30.3 %

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

	Amounts				
	2024	2023	2022	2021	2020
Debt Service Fund					
Revenues					
Property taxes	\$ 6,362,833	\$ 5,424,002	\$ 4,185,786	\$ 3,045,169	\$ 2,053,191
Penalty and interest	53,915	37,822	42,379	25,039	16,045
Investment income	432,474	240,968	11,880	4,024	14,380
Total revenues	<u>6,849,222</u>	<u>5,702,792</u>	<u>4,240,045</u>	<u>3,074,232</u>	<u>2,083,616</u>
Expenditures					
Current:					
Professional fees	18,186	13,846	11,809	8,275	3,471
Contracted services	101,546	64,533	77,107	56,286	40,261
Other expenditures	2,338	11,621	9,941	18,868	4,009
Debt service:					
Principal retirement	1,205,000	815,000	585,000	205,000	200,000
Interest and fees	2,946,792	2,341,569	1,614,532	1,314,900	1,016,680
Total expenditures	<u>4,273,862</u>	<u>3,246,569</u>	<u>2,298,389</u>	<u>1,603,329</u>	<u>1,264,421</u>
Excess of Revenues Over Expenditures	2,575,360	2,456,223	1,941,656	1,470,903	819,195
Other Financing Sources					
General obligation bonds issued	-	-	341,709	-	-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2,575,360	2,456,223	2,283,365	1,470,903	819,195
Fund Balance, Beginning of Year	<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>
Fund Balance, End of Year	<u>\$ 10,978,154</u>	<u>\$ 8,402,794</u>	<u>\$ 5,946,571</u>	<u>\$ 3,663,206</u>	<u>\$ 2,192,303</u>

Percent of Fund Total Revenues

<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
92.9 %	95.1 %	98.7 %	99.1 %	98.5 %
0.8	0.7	1.0	0.8	0.8
<u>6.3</u>	<u>4.2</u>	<u>0.3</u>	<u>0.1</u>	<u>0.7</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.3	0.2	0.3	0.3	0.2
1.5	1.1	1.8	0.8	1.9
0.0	0.2	0.2	0.6	0.2
17.6	14.3	13.8	6.7	9.6
<u>43.0</u>	<u>41.1</u>	<u>38.1</u>	<u>42.8</u>	<u>48.8</u>
<u>62.4</u>	<u>56.9</u>	<u>54.2</u>	<u>51.2</u>	<u>60.7</u>
<u>37.6 %</u>	<u>43.1 %</u>	<u>45.8 %</u>	<u>48.8 %</u>	<u>39.3 %</u>

**Harris County Municipal Utility District No. 504
Board Members, Key Personnel and Consultants
Year Ended June 30, 2024**

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):	May 30, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
John Hernandez	Elected 05/24 05/28	\$ 5,233	\$ 1,429	President
Ebony McGowen	Elected 05/22- 05/26	7,200	1,580	Vice President
Kedrin Bell	Elected 05/24 05/28	3,589	686	Secretary
Kimberly Badu	Elected 05/24 05/28	3,686	482	Assistant Vice President
Anthony Turner	Elected 05/22- 05/26	7,200	4,267	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
Year Ended June 30, 2024**

(Continued)

<u>Consultants</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	10/30/12	\$ 171,685 453,500	General Counsel Bond Counsel
Assessments of the Southwest, Inc.	03/07/13	28,344	Tax Assessor/ Collector
BGE, Inc.	10/30/12	380,516	Engineer
Forvis Mazars, LLP	06/04/15	59,500	Auditor
Harris Central Appraisal District	Legislative Action	72,394	Appraiser
Inframark Services, LLC	09/05/13	994,633	Operator
Myrtle Cruz, Inc.	03/07/13	40,003	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/06/14	18,186	Delinquent Tax Attorney
Rathmann & Associates, L.P.	03/07/13	369,500	Financial Advisor
<u>Investment Officer</u>			
Mary Jarmon	03/07/13	N/A	Bookkeeper