

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 304**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

August 31, 2023

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 304
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 304 (the "District"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 304, as of August 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information


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

***Board of Directors
Harris County Municipal Utility District No. 304
Harris County, Texas***

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 Texas Supplementary Information schedules 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



Houston, Texas
May 16, 2024

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Management's Discussion and Analysis

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***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2023***

Using this Annual Report

Within this section of the financial report of Harris County Municipal Utility District No. 304 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2023***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. 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, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at August 31, 2023, was \$8,635,283. A comparative summary of the District's overall financial position, as of August 31, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 8,884,471	\$ 10,260,211
Capital assets	11,752,450	10,582,036
Total assets	<u>20,636,921</u>	<u>20,842,247</u>
 Total deferred outflows of resources	 <u>241,254</u>	 <u>261,359</u>
 Current liabilities	 1,729,862	 1,559,126
Long-term liabilities	10,513,030	12,654,162
Total liabilities	<u>12,242,892</u>	<u>14,213,288</u>
 Net position		
Net investment in capital assets	690,674	(2,570,767)
Restricted	1,203,163	1,201,911
Unrestricted	6,741,446	8,259,174
Total net position	<u>\$ 8,635,283</u>	<u>\$ 6,890,318</u>

***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2023***

The total net position of the District increased during the current fiscal year by \$1,744,965. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 3,054,706	\$ 3,076,946
Water and sewer service	2,009,290	1,957,733
Other	956,117	680,530
Total revenues	<u>6,020,113</u>	<u>5,715,209</u>
Expenses		
Current service operations	3,333,577	3,387,601
Debt interest and fees	457,354	571,667
Depreciation	484,217	439,996
Total expenses	<u>4,275,148</u>	<u>4,399,264</u>
Change in net position before other item	1,744,965	1,315,945
Other items		
Insurance proceeds		65,251
Write off of amounts due to developer		193,799
Change in net position	1,744,965	1,574,995
Net position, beginning of year	<u>6,890,318</u>	<u>5,315,323</u>
Net position, end of year	<u>\$ 8,635,283</u>	<u>\$ 6,890,318</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of August 31, 2023, were \$7,538,010, which consists of \$6,420,375 in the General Fund and \$1,117,635 in the Debt Service Fund.

General Fund

A comparative summary of the General Fund's financial position as of August 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 7,384,783</u>	<u>\$ 8,739,524</u>
Total liabilities	\$ 927,844	\$ 790,005
Total deferred inflows	36,564	29,862
Total fund balance	<u>6,420,375</u>	<u>7,919,657</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 7,384,783</u>	<u>\$ 8,739,524</u>

***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2023***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 4,698,193	\$ 4,397,167
Total expenditures	<u>(6,197,475)</u>	<u>(3,825,445)</u>
Revenues over/(under) expenditures	(1,499,282)	571,722
Other changes in fund balance		65,251
Net change in fund balance	<u>\$ (1,499,282)</u>	<u>\$ 636,973</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and the provision of water and sewer services to customers within the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues in the District have remained fairly consistent from year to year.
- Water, sewer and regional water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.

During the current year, the District used surplus operating funds to redeem \$1,315,000 of its outstanding Series 2016 Unlimited Tax Refunding Bonds prior to their stated maturity. See Note 6 for additional information.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of August 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 1,215,181</u>	<u>\$ 1,211,032</u>
Total liabilities	\$ 12,018	\$ 9,121
Total deferred inflows	85,528	83,478
Total fund balance	<u>1,117,635</u>	<u>1,118,433</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,215,181</u>	<u>\$ 1,211,032</u>

Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2023

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2023	2022
Total revenues	\$ 1,313,170	\$ 1,315,402
Total expenditures	(1,313,968)	(1,356,803)
Revenues under expenditures	\$ (798)	\$ (41,401)

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in a decrease in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$443,591 less than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

Capital assets held by the District at August 31, 2023 and 2022, are summarized as follows:

	2023	2022
Capital assets not being depreciated		
Land and improvements	\$ 2,513,681	\$ 2,461,721
Construction in progress	1,080,217	495,237
	<u>3,593,898</u>	<u>2,956,958</u>
Capital assets being depreciated		
Infrastructure	12,587,691	11,846,360
Recreational facilities	2,575,053	2,298,693
	<u>15,162,744</u>	<u>14,145,053</u>
Less accumulated depreciation		
Infrastructure	(5,910,713)	(5,586,783)
Recreational facilities	(1,093,479)	(933,192)
	<u>(7,004,192)</u>	<u>(6,519,975)</u>
Depreciable capital assets, net	<u>8,158,552</u>	<u>7,625,078</u>
Capital assets, net	<u>\$ 11,752,450</u>	<u>\$ 10,582,036</u>

Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2023

Capital asset additions during the current year include the following:

- Wastewater treatment plant lift station rehabilitation
- Silverglen North detention rehabilitation
- Administrative building repairs

The District's construction in progress is for the construction of the following:

- Lift station improvements
- Silverglen Nort Park – detention, paving, and open space improvement
- Silverchase Meadow Park – open space improvement

Long-Term Debt

At August 31, 2023 and 2022, the District had total bonded debt outstanding as shown below:

Series	2023	2022
2012 Refunding	\$ 5,695,000	\$ 6,250,000
2016 Refunding	5,220,000	6,740,000
	<u>\$ 10,915,000</u>	<u>\$ 12,990,000</u>

At August 31, 2023, the District had \$8,101,760 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$29,272,627 for refunding purposes.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2023 Actual	2024 Budget
Total revenues	\$ 4,698,193	\$ 5,139,800
Total expenditures	(6,197,475)	(5,131,610)
Revenues over/(under) expenditures	(1,499,282)	8,190
Beginning fund balance	7,919,657	6,420,375
Ending fund balance	<u>\$ 6,420,375</u>	<u>\$ 6,428,565</u>

Property Taxes

The District's property tax base increased approximately \$51,504,000 for the 2023 tax year from \$448,329,075 to \$499,833,460. This increase was primarily due to increased property values. For the 2023 tax year, the District has levied a maintenance tax rate of \$0.387534 per \$100 of assessed value and a debt service tax rate of \$0.2575 per \$100 of assessed value, for a total combined tax rate of \$0.645034 per \$100 of assessed value. Tax rates for the 2022 tax year were \$0.3959 per \$100 for

*Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2023*

maintenance and operations and \$0.2775 per \$100 for debt service for a combined total of \$0.6734 per \$100 of assessed value.

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Basic Financial Statements

Harris County Municipal Utility District No. 304
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2023

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 1,190,088	\$ 80,126	\$ 1,270,214	\$ -	\$ 1,270,214
Investments	5,623,218	1,052,599	6,675,817		6,675,817
Taxes receivable	36,564	85,528	122,092		122,092
Customer service receivables, net	492,437		492,437		492,437
Internal balances	3,072	(3,072)			
Prepaid items	25,866		25,866		25,866
Accrued interest receivable	8,134		8,134		8,134
Other receivables	490		490		490
Operating reserve	4,914		4,914		4,914
Due from Regional Water Authority				284,507	284,507
Capital assets not being depreciated				3,593,898	3,593,898
Capital assets, net				8,158,552	8,158,552
Total Assets	\$ 7,384,783	\$ 1,215,181	\$ 8,599,964	12,036,957	20,636,921
Deferred Outflows of Resources					
Deferred difference on refunding				241,254	241,254
Liabilities					
Accounts payable	\$ 423,641	\$ -	\$ 423,641		423,641
Cash overdraft	25,724		25,724		25,724
Retainage payable	81,790		81,790		81,790
Other payables	13,386	12,018	25,404		25,404
Customer deposits	383,303		383,303		383,303
Long-term debt					
Due within one year				790,000	790,000
Due after one year				10,513,030	10,513,030
Total Liabilities	927,844	12,018	939,862	11,303,030	12,242,892
Deferred Inflows of Resources					
Deferred property taxes	36,564	85,528	122,092	(122,092)	
Fund Balances/Net Position					
Fund Balances					
Nonspendable	30,780		30,780	(30,780)	
Restricted		1,117,635	1,117,635	(1,117,635)	
Unassigned	6,389,595		6,389,595	(6,389,595)	
Total Fund Balances	6,420,375	1,117,635	7,538,010	(7,538,010)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,384,783	\$ 1,215,181	\$ 8,599,964		
Net Position					
Net investment in capital assets				690,674	690,674
Restricted for debt service				1,203,163	1,203,163
Unrestricted				6,741,446	6,741,446
Total Net Position				\$ 8,635,283	\$ 8,635,283

See notes to basic financial statements.

Harris County Municipal Utility District No. 304

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended August 31, 2023**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Water service	\$ 753,043	\$ -	\$ 753,043	\$ -	\$ 753,043
Sewer service	1,256,247		1,256,247		1,256,247
Property taxes	1,760,066	1,242,564	3,002,630	9,086	3,011,716
Penalties and interest	23,768	19,558	43,326	(336)	42,990
Regional water authority fees	628,101		628,101		628,101
Tap connection and inspection	49,240		49,240		49,240
Miscellaneous	17,038	18	17,056		17,056
Investment earnings	210,690	51,030	261,720		261,720
Total Revenues	4,698,193	1,313,170	6,011,363	8,750	6,020,113
Expenditures/Expenses					
Current service operations					
Personnel	45,674		45,674		45,674
Professional fees	471,223	14,036	485,259		485,259
Contracted services	772,496	42,788	815,284		815,284
Repairs and maintenance	947,473		947,473		947,473
Utilities	82,070		82,070		82,070
Regional water authority fees	698,647		698,647	25,148	723,795
Administrative	177,693	6,854	184,547		184,547
Other	27,385	22,090	49,475		49,475
Capital outlay	1,654,631		1,654,631	(1,654,631)	
Debt service					
Principal		760,000	760,000	(760,000)	
Interest and fees	5,183	468,200	473,383	(16,029)	457,354
Cash defeasance	1,315,000		1,315,000	(1,315,000)	
Depreciation				484,217	484,217
Total Expenditures/Expenses	6,197,475	1,313,968	7,511,443	(3,236,295)	4,275,148
Revenues Under Expenditures	(1,499,282)	(798)	(1,500,080)	1,500,080	
Change in Net Position				1,744,965	1,744,965
Fund Balance/Net Position					
Beginning of the year	7,919,657	1,118,433	9,038,090	(2,147,772)	6,890,318
End of the year	\$ 6,420,375	\$ 1,117,635	\$ 7,538,010	\$ 1,097,273	\$ 8,635,283

See notes to basic financial statements.

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Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2023

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 304 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated May 1, 1985, and operates in accordance with the Texas Water Code, Chapters 49 and 54.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. At August 31, 2023, the District had two part-time employees.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has two governmental funds, which are all considered major funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At August 31, 2023, an allowance of \$22,600 was provided for possible uncollectible water/sewer accounts. An allowance for uncollectible property taxes was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	10-45 years
Recreational facilities	10-20 years

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of prepaid items and operating reserves paid to Central Harris County Regional Water Authority.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of property taxes levied for debt service in the Debt Service Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$ 7,538,010
Capital costs due from the Central Harris County Regional Water Authority are recorded in the government-wide financial statements.	284,507
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Historical cost	\$ 18,756,642
Less accumulated depreciation	<u>(7,004,192)</u>
Change due to capital assets	11,752,450
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the <i>Statement of Net Position</i> and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.	241,254
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable, net of discount and premium.	(11,303,030)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	122,092
Total net position - governmental activities	<u><u>\$ 8,635,283</u></u>

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ (1,500,080)

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 8,750

Governmental funds report capital outlays for construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 1,654,631	
Depreciation expense	(484,217)	
		1,170,414

In the Statement of Activities, an adjustment to reduce the reimbursement from Central Harris County Regional Water Authority is charged to regional water authority fees. (25,148)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government-wide statements.

Principal payments	760,000	
Interest expense accrual	16,029	
Cash defeasance	1,315,000	
		2,091,029

Change in net position of governmental activities \$ 1,744,965

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or 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, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2023

Note 3 – Deposits and Investments (continued)

Investments (continued)

As of August 31, 2023, the District’s investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Percentage of Total</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
Certificates of deposit	General	\$ 2,208,279			
	Debt Service	491,760			
		<u>2,700,039</u>	40%	N/A	N/A
TexPool	General	3,414,939			
	Debt Service	560,839			
		<u>3,975,778</u>	60%	AAAm	23 days
Total		<u>\$ 6,675,817</u>	<u>100%</u>		

The District’s investments in certificates of deposit are reported at cost.

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2023

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at August 31, 2023, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 3,072	Maintenance tax collections not remitted as of year end

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended August 31, 2023, is as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 2,461,721	\$ 51,960	\$ -	\$ 2,513,681
Construction in progress	495,237	933,584	(348,604)	1,080,217
	<u>2,956,958</u>	<u>985,544</u>	<u>(348,604)</u>	<u>3,593,898</u>
Capital assets being depreciated				
Infrastructure	11,846,360	741,331		12,587,691
Recreational facilities	2,298,693	276,360		2,575,053
	<u>14,145,053</u>	<u>1,017,691</u>		<u>15,162,744</u>
Less accumulated depreciation				
Infrastructure	(5,586,783)	(323,930)		(5,910,713)
Recreational facilities	(933,192)	(160,287)		(1,093,479)
	<u>(6,519,975)</u>	<u>(484,217)</u>		<u>(7,004,192)</u>
Subtotal depreciable capital assets, net	<u>7,625,078</u>	<u>533,474</u>		<u>8,158,552</u>
Capital assets, net	<u>\$ 10,582,036</u>	<u>\$ 1,519,018</u>	<u>\$ (348,604)</u>	<u>\$ 11,752,450</u>

Depreciation expense for the current year was \$484,217.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2023

Note 5 – Capital Assets (continued)

The District has contractual commitments for construction projects as follows:

	Contract Amount	Paid To Date	Remaining Amount *
Silverglen North Park - detention, paving, and open space improvements	\$ 519,737	\$ 467,763	\$ 51,974
Silverchase Meadow Park - open space improvements	308,026	268,350	39,676
	<u>\$ 827,763</u>	<u>\$ 736,113</u>	<u>\$ 91,650</u>

* Includes retainage

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 10,915,000
Unamortized discounts	(52,004)
Unamortized premium	440,034
	<u>\$ 11,303,030</u>
Due within one year	<u>\$ 790,000</u>

The District's bonds payable at August 31, 2023, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2012 Refunding	\$ 5,695,000	\$ 9,605,000	2.00% - 4.00%	September 1, 2013/2031	September 1, March 1,	March 1, 2020
2016 Refunding	5,220,000	8,030,000	2.00% - 4.00%	September 1, 2016/2035	September 1, March 1,	September 1, 2023
	<u>\$ 10,915,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At August 31, 2023, the District had authorized but unissued bonds in the amount of \$8,101,760 for water, sewer and drainage facilities and \$29,272,627 for refunding purposes.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2023

Note 6 – Long-Term Debt (continued)

During the current year, the District used surplus operating funds to redeem \$1,315,000 of its outstanding Series 2016 Unlimited Tax Refunding Bonds prior to their stated maturity. This early redemption will reduce total debt service payments over future years by approximately \$678,617.

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 12,990,000
Cash defeasance	(1,315,000)
Bonds retired	(760,000)
Bonds payable, end of year	<u>\$ 10,915,000</u>

The debt service payment due September 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of August 31, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	\$ 790,000	\$ 436,600	\$ 1,226,600
2025	825,000	405,000	1,230,000
2026	855,000	372,000	1,227,000
2027	885,000	337,800	1,222,800
2028	925,000	302,400	1,227,400
2029	965,000	265,400	1,230,400
2030	1,000,000	226,800	1,226,800
2031	1,040,000	186,800	1,226,800
2032	1,160,000	145,200	1,305,200
2033	1,210,000	98,800	1,308,800
2034	1,260,000	50,400	1,310,400
	<u>\$ 10,915,000</u>	<u>\$ 2,827,200</u>	<u>\$ 13,742,200</u>

Note 7 – Property Taxes

On January 20, 1996, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Harris County Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2023

Note 7 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$0.6734 per \$100 of assessed value, of which \$0.3959 was allocated to maintenance and operations and \$0.2775 was allocated to debt service. The resulting tax levy was \$3,019,048 on the adjusted taxable value of \$448,329,075.

Property taxes receivable, at August 31, 2023, consisted of the following:

Current year taxes receivable	\$	30,234
Prior years taxes receivable		56,949
		<hr/>
		87,183
Penalty and interest receivable		34,909
Property taxes receivable	\$	122,092
		<hr/> <hr/>

Note 8 – Waste Disposal Agreement

On May 6, 1985, General Homes Corporation, on behalf of the District, entered into a waste disposal agreement with Harris County Municipal Utility District No. 279 (“District No. 279”) and Rankin Road West Municipal Utility District (“Rankin Road West”) providing for the construction and operation of a regional sewage treatment plant. District No. 279 has now been dissolved and a portion of the land previously within District No. 279 has been annexed into the District. The agreement was amended in July 1998, to reflect that fact. The amended agreement provides that the participants will share the costs of operating the plant based upon their percentage of capacity. A 650,000 gallons-per day initial phase of the plant was constructed in 1986. Rankin Road West was not a participant in the initial phase of the plant. The amended agreement provides that Rankin Road West has no right to utilize any of the capacity in the initial phase unless agreed to by the District. The agreement allows for future expansion of the plant up to 1,000,000 gallons-per-day, with Rankin Road West being allocated 400,000 gallons per day and the District being allocated 600,000 gallons-per-day of such ultimate capacity. The term of the amended agreement is 50 years commencing in July 1998.

Note 9 – Water Supply Contracts

On January 29, 1986, the District executed an Emergency Water Supply Contract with Rankin Road West Municipal Utility District (“Rankin Road West”). The term of the emergency water service agreement is 35 years. The price of the water is \$0.75 per thousand gallons of usage as reflected by the metering equipment at the point of interconnect.

On August 24, 2000, the District and Harris County Municipal Utility District No. 217 (“District No. 217”) entered into an emergency water supply contract. The interconnect facilities for the District were constructed and paid for by the District. The price to be paid for water furnished under the agreement is primarily the resupply of water in kind. If the water cannot be repaid in kind within two years, the water may be paid for at a rate of \$0.75 per 1,000 gallons of water used, plus any required regulatory fees. The term of the agreement is 50 years.

Note 10 – Central Harris County Regional Water Authority

On December 13, 2002, the District, Fallbrook Utility District, Harris County Municipal Utility District No. 33, Harris County Municipal Utility District No. 150, Harris County Municipal Utility District No. 200, Harris County Municipal Utility District No. 205, Harris County Municipal Utility District No. 215, Harris County Municipal Utility District No. 217, Harris County Utility District No. 16, and Rankin Road West Municipal Utility District entered into a water consortium agreement and formed the Central Harris County Water Users Consortium (the “Consortium”). In October of 2004, the agreement was amended to include Harris County Municipal Utility District No. 399.

Effective June 17, 2005, the Central Harris County Regional Water Authority (the “Authority”) was created to assume the duties of the Consortium. The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 3181, as passed by the 79th Texas Legislature. The Authority encompasses essentially the same entities as the Consortium.

The Consortium assigned its agreements and transferred its assets to the Authority. The purpose of the Authority is to assure that its participants comply with the Harris-Galveston Subsidence District (“HGSD”) pumpage requirements, which mandate that districts within HGSD boundaries, including the District, convert a percentage of its water use to surface water over a period of time.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions and is subject to change at any time by the Authority. The current fee charged is \$3.26 per 1,000 gallons of water pumped from each well. The Authority charges \$3.60 per 1,000 gallons of surface water purchased. The District recorded expenditures of \$698,647 for fees assessed and surface water purchased during the current fiscal year and had an operating deposit with the Authority of \$4,914.

On September 1, 2015, the District entered into an agreement with the Authority authorizing the Authority to construct a supply line from the system to the District’s water plant. Such construction was completed in a prior year. The agreement will remain in full force and effect until one year after the date upon which the Authority has completed full and final reimbursement to the District, or December 31, 2021, whichever is later. As of the date of this report, no reimbursement has been made. However, in February 2024, subsequent to fiscal year end, the Authority approved a reimbursement of \$284,507.

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Required Supplementary Information

*Harris County Municipal Utility District No. 304
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended August 31, 2023*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 777,500	\$ 753,043	\$ (24,457)
Sewer service	1,346,400	1,256,247	(90,153)
Property taxes	1,700,000	1,760,066	60,066
Penalties and interest	50,000	23,768	(26,232)
Regional water authority fees	684,500	628,101	(56,399)
Tap connection and inspection	22,600	49,240	26,640
Miscellaneous	14,900	17,038	2,138
Investment earnings	24,500	210,690	186,190
Total Revenues	4,620,400	4,698,193	77,793
Expenditures			
Current service operations			
Personnel	55,000	45,674	9,326
Professional fees	500,000	471,223	28,777
Contracted services	796,650	772,496	24,154
Repairs and maintenance	1,238,500	947,473	291,027
Utilities	100,000	82,070	17,930
Regional water authority fees	575,000	698,647	(123,647)
Administrative	239,650	177,693	61,957
Other	11,850	27,385	(15,535)
Capital outlay	2,159,441	1,654,631	504,810
Debt service			
Interest and fees		5,183	(5,183)
Cash defeasance		1,315,000	(1,315,000)
Total Expenditures	5,676,091	6,197,475	(521,384)
Revenues Under Expenditures	(1,055,691)	(1,499,282)	(443,591)
Fund Balance			
Beginning of the year	7,919,657	7,919,657	
End of the year	\$ 6,863,966	\$ 6,420,375	\$ (443,591)

Harris County Municipal Utility District No. 304
Notes to Required Supplementary Information
August 31, 2023

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Harris County Municipal Utility District No. 304
TSI-1. Services and Rates
August 31, 2023

1. Services provided by the District During the Fiscal Year:

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

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 23.00	9,000	N	\$ 2.80	9,001 to no limit
Wastewater:	\$ 52.32	N/A	Y		to _____
Surcharge:	\$ -	N/A	N	\$ 3.78	0 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 25.80 Wastewater \$ 52.32

b. **Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1,856	1,837	x 1.0	1,837
1"	6	6	x 2.5	15
1.5"	2	2	x 5.0	10
2"	16	16	x 8.0	128
3"			x 15.0	
4"	3	3	x 25.0	75
6"			x 50.0	
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water	1,885	1,866		2,225
Total Wastewater	1,845	1,845	x 1.0	1,845

** Connections were not available for audit.

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-1. Services and Rates
August 31, 2023

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>102,822,000</u>	Water Accountability Ratio:
Gallons purchased	<u>117,459,000</u>	(Gallons billed / Gallons pumped)
* Gallons billed to customers:	<u>184,666,000</u>	<u>83.83%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Harris County, Texas

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: _____

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

Entirely Partly Not at all

ETJs in which the District is located: City of Houston, Texas

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

* Gallons billed to customers includes 100,000 gallons sold to Harris County MUD No. 217.

See accompanying auditor's report.

***Harris County Municipal Utility District No. 304
TSI-2. General Fund Expenditures
For the Year Ended August 31, 2023***

Personnel	\$ 45,674
Professional fees	
Legal	291,530
Audit	100,155
Engineering	79,538
	<u>471,223</u>
Contracted services	
Bookkeeping	44,535
Operator	161,613
Garbage collection	403,059
Tap connection and inspection	7,930
Security	155,359
	<u>772,496</u>
Repairs and maintenance	<u>947,473</u>
Utilities	<u>82,070</u>
Regional water authority fees	<u>698,647</u>
Administrative	
Printing and office supplies	62,132
Insurance	38,245
Travel and expense reimbursements	2,859
Other	74,457
	<u>177,693</u>
Other	<u>27,385</u>
Capital outlay	<u>1,654,631</u>
Debt service	
Interest and fees	5,183
Cash defeasance	1,315,000
	<u>1,320,183</u>
Total expenditures	<u>\$ 6,197,475</u>

*Number of persons employed by the District:

2 Part time

** Personnel expenditures include fees of office paid to the Board of Directors

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-3. Investments
August 31, 2023

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 3,414,939
Certificates of deposit	2.50%	12/02/23	245,000
Certificates of deposit	1.30%	12/06/23	246,474
Certificates of deposit	4.16%	12/02/23	240,000
Certificates of deposit	1.70%	02/24/24	246,847
Certificates of deposit	4.84%	03/02/24	245,000
Certificates of deposit	1.35%	11/04/23	245,610
Certificates of deposit	5.00%	06/07/24	251,039
Certificates of deposit	3.40%	07/18/24	248,309
Certificates of deposit	3.10%	08/20/24	240,000
			<u>5,623,218</u>
Debt Service			
TexPool	Variable	N/A	560,839
Certificates of deposit	3.50%	02/13/23	245,665
Certificates of deposit	0.25%	02/14/24	246,095
			<u>1,052,599</u>
Total - All Funds			<u><u>\$ 6,675,817</u></u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-4. Taxes Levied and Receivable
August 31, 2023

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 29,862	\$ 48,234	\$ 78,096	
Adjustments to Prior Year Tax Levy	(5,367)	(3,925)	(9,292)	
Adjusted Receivable	24,495	44,309	68,804	
2022 Original Tax Levy	1,612,122	1,129,992	2,742,114	
Adjustments	162,813	114,121	276,934	
Adjusted Tax Levy	1,774,935	1,244,113	3,019,048	
Total to be accounted for	1,799,430	1,288,422	3,087,852	
Tax collections:				
Current year	1,757,159	1,231,654	2,988,813	
Prior years	5,707	6,149	11,856	
Total Collections	1,762,866	1,237,803	3,000,669	
Taxes Receivable, End of Year	\$ 36,564	\$ 50,619	\$ 87,183	
Taxes Receivable, By Years				
2022	\$ 17,775	\$ 12,459	\$ 30,234	
2021	6,894	5,130	12,024	
2020	4,229	3,525	7,754	
2019 and prior	7,666	29,505	37,171	
Taxes Receivable, End of Year	\$ 36,564	\$ 50,619	\$ 87,183	
	2022	2021	2020	2019
Property Valuations:				
Land	\$ 75,651,397	\$ 74,729,780	\$ 73,912,998	\$ 71,761,878
Improvements	435,241,593	386,289,953	350,172,699	320,168,795
Personal Property	10,168,554	7,665,502	6,959,712	6,229,116
Exemptions	(72,732,469)	(67,472,165)	(66,911,961)	(67,553,424)
Total Property Valuations	\$ 448,329,075	\$ 401,213,070	\$ 364,133,448	\$ 330,606,365
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.3959	\$ 0.43	\$ 0.42	\$ 0.41
Debt service tax rates	0.2775	0.32	0.35	0.38
Total Tax Rates per \$100 Valuation	\$ 0.6734	\$ 0.75	\$ 0.77	\$ 0.79
Adjusted Tax Levy:	\$ 3,019,048	\$ 3,009,098	\$ 2,803,828	\$ 2,611,790
Percentage of Taxes Collected to Taxes Levied **	99.00%	99.60%	99.72%	99.87%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on January 20, 1996.

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

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-5. Long-Term Debt Service Requirements
Series 2012 Refunding--by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 585,000	\$ 227,800	\$ 812,800
2025	605,000	204,400	809,400
2026	630,000	180,200	810,200
2027	655,000	155,000	810,000
2028	750,000	128,800	878,800
2029	785,000	98,800	883,800
2030	825,000	67,400	892,400
2031	860,000	34,400	894,400
	<u>\$ 5,695,000</u>	<u>\$ 1,096,800</u>	<u>\$ 6,791,800</u>

See accompanying auditor's report.

*Harris County Municipal Utility District No. 304
 TSI-5. Long-Term Debt Service Requirements
 Series 2016 Refunding--by Years
 August 31, 2023*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 205,000	\$ 208,800	\$ 413,800
2025	220,000	200,600	420,600
2026	225,000	191,800	416,800
2027	230,000	182,800	412,800
2028	175,000	173,600	348,600
2029	180,000	166,600	346,600
2030	175,000	159,400	334,400
2031	180,000	152,400	332,400
2032	1,160,000	145,200	1,305,200
2033	1,210,000	98,800	1,308,800
2034	1,260,000	50,400	1,310,400
	<u>\$ 5,220,000</u>	<u>\$ 1,730,400</u>	<u>\$ 6,950,400</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 790,000	\$ 436,600	\$ 1,226,600
2025	825,000	405,000	1,230,000
2026	855,000	372,000	1,227,000
2027	885,000	337,800	1,222,800
2028	925,000	302,400	1,227,400
2029	965,000	265,400	1,230,400
2030	1,000,000	226,800	1,226,800
2031	1,040,000	186,800	1,226,800
2032	1,160,000	145,200	1,305,200
2033	1,210,000	98,800	1,308,800
2034	1,260,000	50,400	1,310,400
	<u>\$ 10,915,000</u>	<u>\$ 2,827,200</u>	<u>\$ 13,742,200</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-6. Change in Long-Term Bonded Debt
August 31, 2023

	Bond Issue		Totals
	Series 2012 Refunding	Series 2016 Refunding	
Interest rate	2.00% - 4.00%	2.00% - 4.00%	
Dates interest payable	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/13 - 9/1/31	9/1/16 - 9/1/35	
Beginning bonds outstanding	\$ 6,250,000	\$ 6,740,000	\$ 12,990,000
Cash defeasance		(1,315,000)	(1,315,000)
Bonds retired	(555,000)	(205,000)	(760,000)
Ending bonds outstanding	<u>\$ 5,695,000</u>	<u>\$ 5,220,000</u>	<u>\$ 10,915,000</u>
Interest paid during fiscal year	<u>\$ 250,000</u>	<u>\$ 214,950</u>	<u>\$ 464,950</u>
Paying agent's name and city All Series	<u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>		

Bond Authority:	Water, Sewer and Drainage Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 30,271,760	\$ 30,271,760
Amount Issued	(22,170,000)	(999,133)
Remaining To Be Issued	<u>\$ 8,101,760</u>	<u>\$ 29,272,627</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balance as of August 31, 2023: \$ 1,132,725

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,249,291

See accompanying auditor's report.

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Harris County Municipal Utility District No. 304

**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years**

	Amounts				
	2023**	2022**	2021	2020	2019
Revenues					
Water service	\$ 753,043	\$ 703,096	\$ 798,612	\$ 641,753	\$ 748,459
Sewer service	1,256,247	1,254,637	1,182,897	1,168,085	791,331
Property taxes	1,760,066	1,707,555	1,527,819	1,354,820	1,046,130
Penalties and interest	23,768	59,849	44,820	32,595	62,463
Regional water authority fees	628,101	607,871	537,149	585,909	552,388
Tap connection and inspection	49,240	4,833	26,386	166,955	121,509
Miscellaneous**	17,038	23,353	103,400	133,922	164,961
Investment earnings**	210,690	35,973			
Total Revenues	<u>4,698,193</u>	<u>4,397,167</u>	<u>4,221,083</u>	<u>4,084,039</u>	<u>3,487,241</u>
Expenditures					
Current service operations					
Personnel	45,674	50,395			
Professional fees	471,223	455,188	279,232	219,207	205,890
Contracted services	772,496	769,208	639,174	562,691	212,538
Repairs and maintenance	947,473	1,110,852	684,999	508,647	416,277
Utilities	82,070	95,474	99,774	92,325	101,017
Regional water authority fees	698,647	655,881	656,875	789,688	603,472
Administrative	177,693	153,454			
Other	27,385	21,546	395,947	467,477	582,910
Capital outlay	1,654,631	513,447	158,510	1,420,779	1,097,002
Debt service					
Interest and fees	5,183				
Cash defeasance	1,315,000				
Total Expenditures	<u>6,197,475</u>	<u>3,825,445</u>	<u>2,914,511</u>	<u>4,060,814</u>	<u>3,219,106</u>
Revenues Over/(Under) Expenditures	<u>\$ (1,499,282)</u>	<u>\$ 571,722</u>	<u>\$ 1,306,572</u>	<u>\$ 23,225</u>	<u>\$ 268,135</u>
Total Active Retail Water Connections	<u>1,885</u>	<u>1,859</u>	<u>1,859</u>	<u>1,849</u>	<u>1,809</u>
Total Active Retail Wastewater Connections	<u>1,845</u>	<u>1,838</u>	<u>1,838</u>	<u>1,828</u>	<u>1,788</u>

*Percentage is negligible

**Classification of miscellaneous revenues and investment earnings in FYE 2023 and 2022 is not consistent with prior years. In prior years these amounts were reported together.

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
16%	16%	19%	16%	21%
28%	28%	28%	29%	23%
37%	39%	36%	33%	30%
1%	1%	1%	1%	2%
13%	14%	13%	14%	16%
1%	*	1%	4%	3%
*	1%	2%	3%	5%
4%	1%			
100%	100%	100%	100%	100%
1%	1%			
10%	10%	7%	5%	6%
16%	17%	15%	14%	6%
20%	25%	16%	12%	12%
2%	2%	2%	2%	3%
15%	15%	16%	19%	17%
4%	3%			
1%	*	9%	11%	17%
35%	12%	4%	35%	31%
*				
28%				
132%	85%	69%	98%	92%
(32%)	15%	31%	2%	8%

Harris County Municipal Utility District No. 304

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Amounts				
	2023**	2022**	2021	2020	2019
Revenues					
Property taxes	\$ 1,242,564	\$ 1,291,219	\$ 1,275,823	\$ 1,260,486	\$ 1,218,872
Penalties and interest	19,558	15,683	18,968	21,614	16,736
Miscellaneous**	18	20			
Investment earnings**	51,030	8,480	10,008	33,965	40,725
Total Revenues	<u>1,313,170</u>	<u>1,315,402</u>	<u>1,304,799</u>	<u>1,316,065</u>	<u>1,276,333</u>
Expenditures					
Tax collection services	63,678	57,339	71,744	77,276	70,780
Other	22,090	18,264			
Debt service					
Principal	760,000	735,000	710,000	685,000	670,000
Interest and fees	468,200	546,200	572,650	598,150	618,250
Total Expenditures	<u>1,313,968</u>	<u>1,356,803</u>	<u>1,354,394</u>	<u>1,360,426</u>	<u>1,359,030</u>
Revenues Under Expenditures	<u>\$ (798)</u>	<u>\$ (41,401)</u>	<u>\$ (49,595)</u>	<u>\$ (44,361)</u>	<u>\$ (82,697)</u>

*Percentage is negligible

**Classification of miscellaneous revenues and investment earnings in FYE 2023 and 2022 is not consistent with prior years. In prior years these amounts were reported together.

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
95%	98%	98%	96%	95%
1%	1%	1%	2%	2%
*	*			
4%	1%	1%	2%	3%
100%	100%	100%	100%	100%
5%	4%	5%	6%	6%
2%	1%			
58%	56%	54%	52%	52%
36%	42%	44%	45%	48%
101%	103%	103%	103%	106%
(1%)	(3%)	(3%)	(3%)	(6%)

Harris County Municipal Utility District No. 304
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended August 31, 2023

Complete District Mailing Address: 2001 Timberloch Place, Suite 500, The Woodlands, Texas 77380
District Business Telephone Number: 832-789-1899
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): December 4, 2023
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
LaFrances Moses	05/22 - 05/26	\$ 5,980	\$ 6,312	President
Michael Garrett	05/22 - 05/26	4,848	575	Vice President
Rosalind Caesar	11/20 - 05/24	4,500	115	Secretary
Leonard Cummings, Jr.	11/20 - 05/24	1,050		Director
Ann-Toinette Johnson-Preston	11/20 - 05/24	1,220	1,359	Director
Consultants				
		<u>Amounts Paid</u>		
Roach & Associates, PLLC	11/21	\$ 297,828		Attorney
Precision Utility, LLC	05/23	103,414		Operator
Municipal Operations and Consulting	07/22	307,289		Former Operator
Doyle and Associates	03/23	17,320		Bookkeeper
Claudia Redden & Associates, Inc	11/21	38,054		Former Bookkeeper
Wheeler and Associates	08/85	27,229		Tax Collector
Harris Central Appraisal District	Legislation	21,899		Property Valuation
Ted A. Cox, P.C.	Prior to 09/01	7,288		Delinquent Tax Attorney
Edminster Hinshaw Russ & Associates, Inc.	08/15	161,098		Engineer
Huntington Securities, Inc		5,000		Financial Advisor
Lloyd Gosselink Rochelle & Townsend, P.C.	11/22	3,750		Former Attorney

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

See accompanying auditor's report.