

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

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

August 31, 2025

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Houston, Texas 77092

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, 2025, 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, 2025, 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.

W. G. Grath & Co, P.C.C.

Houston, Texas
December 18, 2025

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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, 2025***

Using this Annual Report

This section of the financial report of Harris County Municipal Utility District No. 304 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2025. 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, 2025***

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, 2025, was \$11,148,324. A comparative summary of the District's overall financial position, as of August 31, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	\$ 9,757,807	\$ 9,793,303
Capital assets	11,774,456	11,604,382
Total assets	<u>21,532,263</u>	<u>21,397,685</u>
Total deferred outflows of resources	<u>201,044</u>	<u>221,149</u>
Current liabilities	1,824,218	1,686,601
Long-term liabilities	8,760,765	9,651,897
Total liabilities	<u>10,584,983</u>	<u>11,338,498</u>
Net position		
Net investment in capital assets	2,359,735	1,348,634
Restricted	1,391,785	1,273,460
Unrestricted	7,396,804	7,658,242
Total net position	<u>\$ 11,148,324</u>	<u>\$ 10,280,336</u>

***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2025***

The total net position of the District increased during the current fiscal year by \$867,988. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes, penalties and interest	\$ 3,463,635	\$ 3,248,043
Water and sewer service	2,002,923	2,052,854
Regional water authority fees	654,342	605,117
Other	504,749	474,460
Total revenues	<u>6,625,649</u>	<u>6,380,474</u>
Expenses		
Current service operations	4,828,370	3,801,030
Debt interest and fees	390,547	422,146
Depreciation	538,744	512,245
Total expenses	<u>5,757,661</u>	<u>4,735,421</u>
Change in net position	867,988	1,645,053
Net position, beginning of year	10,280,336	8,635,283
Net position, end of year	<u>\$ 11,148,324</u>	<u>\$ 10,280,336</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of August 31, 2025, were \$8,640,571, which consists of \$7,349,773 in the General Fund and \$1,290,798 in the Debt Service Fund.

General Fund

A comparative summary of the General Fund's financial position as of August 31, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Total assets	<u>\$ 8,341,187</u>	<u>\$ 8,505,614</u>
Total liabilities	\$ 944,383	\$ 847,372
Total deferred inflows	47,031	48,725
Total fund balance	<u>7,349,773</u>	<u>7,609,517</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 8,341,187</u>	<u>\$ 8,505,614</u>

***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2025***

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

	2025	2024
Total revenues	\$ 5,174,710	\$ 5,272,877
Total expenditures	(5,434,454)	(4,083,735)
Revenues over/(under) expenditures	<u>\$ (259,744)</u>	<u>\$ 1,189,142</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. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior 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.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of August 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u>\$ 1,416,620</u>	<u>\$ 1,287,689</u>
Total liabilities	\$ 24,835	\$ 14,229
Total deferred inflows	100,987	99,643
Total fund balance	<u>1,290,798</u>	<u>1,173,817</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,416,620</u>	<u>\$ 1,287,689</u>

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

	2025	2024
Total revenues	\$ 1,451,290	\$ 1,365,829
Total expenditures	(1,334,309)	(1,309,647)
Revenues over expenditures	<u>\$ 116,981</u>	<u>\$ 56,182</u>

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District

***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2025***

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 \$805,785 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

Capital assets held by the District at August 31, 2025 and 2024, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Capital assets not being depreciated		
Land and improvements	\$ 2,667,129	\$ 2,667,129
Construction in progress	711,775	535,764
	<u>3,378,904</u>	<u>3,202,893</u>
Capital assets being depreciated		
Infrastructure	13,313,797	13,119,195
Recreational facilities	2,635,389	2,635,389
Landscaping improvements	501,547	163,342
	<u>16,450,733</u>	<u>15,917,926</u>
Less accumulated depreciation		
Infrastructure	(6,599,840)	(6,250,482)
Recreational facilities	(1,422,097)	(1,257,788)
Landscaping improvements	(33,244)	(8,167)
	<u>(8,055,181)</u>	<u>(7,516,437)</u>
Depreciable capital assets, net	<u>8,395,552</u>	<u>8,401,489</u>
Capital assets, net	<u>\$ 11,774,456</u>	<u>\$ 11,604,382</u>

Capital asset additions during the current fiscal year include:

- Booster pump No. 4 at water plant No. 1
- Open space improvements to serve Silverchase Meadow Park
- Lift station generator

***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2025***

The District's construction in progress consists of the construction of a permanent wastewater treatment plant access road, pipeline easement improvements and engineering fees related to the wastewater treatment plant expansion and construction of other various capital improvements projects in the District.

Long-Term Debt

At August 31, 2025 and 2024, the District had total bonded debt outstanding as shown below:

Series	2025	2024
2012 Refunding	\$ 4,505,000	\$ 5,110,000
2016 Refunding	4,795,000	5,015,000
	<u>\$ 9,300,000</u>	<u>\$ 10,125,000</u>

At August 31, 2025, 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.

Property Taxes

The District's property tax base increased approximately \$6,859,000 for the 2025 tax year from \$525,591,160 to \$532,449,761. This increase was primarily due to increased property values. For the 2025 tax year, the District has levied a maintenance tax rate of \$0.38 per \$100 of assessed value and a debt service tax rate of \$0.26 per \$100 of assessed value, for a total combined tax rate of \$0.64 per \$100 of assessed value. Tax rates for the 2024 tax year were \$0.386818 per \$100 for maintenance and operations and \$0.258 per \$100 for debt service for a combined total of \$0.644818 per \$100 of assessed value.

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 fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2025 Actual	2026 Budget
Total revenues	\$ 5,174,710	\$ 5,614,096
Total expenditures	(5,434,454)	(5,070,216)
Revenues over/(under) expenditures	(259,744)	543,880
Beginning fund balance	7,609,517	7,349,773
Ending fund balance	<u>\$ 7,349,773</u>	<u>\$ 7,893,653</u>

Basic Financial Statements

Harris County Municipal Utility District No. 304
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2025

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 191,065	\$ 175,228	\$ 366,293	\$ -	\$ 366,293
Investments	7,631,790	1,156,512	8,788,302		8,788,302
Taxes receivable	47,031	100,987	148,018		148,018
Customer service receivables, net	419,659		419,659		419,659
Internal balances	16,107	(16,107)			
Prepaid items	28,953		28,953		28,953
Other receivables	1,668		1,668		1,668
Operating reserve	4,914		4,914		4,914
Capital assets not being depreciated				3,378,904	3,378,904
Capital assets, net				8,395,552	8,395,552
Total Assets	\$ 8,341,187	\$ 1,416,620	\$ 9,757,807	11,774,456	21,532,263
Deferred Outflows of Resources					
Deferred difference on refunding				201,044	201,044
Liabilities					
Accounts payable	\$ 526,160	\$ -	\$ 526,160		526,160
Retainage payable	24,533		24,533		24,533
Other payables	12,174	24,835	37,009		37,009
Customer deposits	381,516		381,516		381,516
Long-term debt					
Due within one year				855,000	855,000
Due after one year				8,760,765	8,760,765
Total Liabilities	944,383	24,835	969,218	9,615,765	10,584,983
Deferred Inflows of Resources					
Deferred property taxes	47,031	100,987	148,018	(148,018)	
Fund Balances/Net Position					
Fund Balances					
Nonspendable	33,867		33,867	(33,867)	
Restricted		1,290,798	1,290,798	(1,290,798)	
Unassigned	7,315,906		7,315,906	(7,315,906)	
Total Fund Balances	7,349,773	1,290,798	8,640,571	(8,640,571)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,341,187	\$ 1,416,620	\$ 9,757,807		
Net Position					
Net investment in capital assets				2,359,735	2,359,735
Restricted for debt service				1,391,785	1,391,785
Unrestricted				7,396,804	7,396,804
Total Net Position				\$ 11,148,324	\$ 11,148,324

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, 2025

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Water service	\$ 714,203	\$ -	\$ 714,203	\$ -	\$ 714,203
Sewer service	1,288,720		1,288,720		1,288,720
Property taxes	2,026,543	1,350,685	3,377,228	(2,895)	3,374,333
Penalties and interest	64,301	22,457	86,758	2,544	89,302
Regional water authority fees	654,342		654,342		654,342
Tap connection and inspection	20,064		20,064		20,064
Miscellaneous	48,481	30	48,511		48,511
Investment earnings	358,056	78,118	436,174		436,174
Total Revenues	5,174,710	1,451,290	6,626,000	(351)	6,625,649
Expenditures/Expenses					
Current service operations					
Personnel	35,753		35,753		35,753
Professional fees	536,101	15,006	551,107		551,107
Contracted services	1,340,450	51,203	1,391,653		1,391,653
Repairs and maintenance	1,653,072		1,653,072		1,653,072
Utilities	76,210		76,210		76,210
Regional water authority fees	860,421		860,421		860,421
Administrative	188,884	36,525	225,409		225,409
Other	34,745		34,745		34,745
Capital outlay	708,818		708,818	(708,818)	
Debt service					
Principal		825,000	825,000	(825,000)	
Interest and fees		406,575	406,575	(16,028)	390,547
Depreciation				538,744	538,744
Total Expenditures/Expenses	5,434,454	1,334,309	6,768,763	(1,011,102)	5,757,661
Revenues Over/(Under) Expenditures	(259,744)	116,981	(142,763)	142,763	
				867,988	867,988
Change in Net Position					
Fund Balance/Net Position					
Beginning of the year	7,609,517	1,173,817	8,783,334	1,497,002	10,280,336
End of the year	\$ 7,349,773	\$ 1,290,798	\$ 8,640,571	\$ 2,507,753	\$ 11,148,324

See notes to basic financial statements.

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Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2025

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.

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.

*Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2025*

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.

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 financial statements.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2025

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, 2025, 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 that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is \$50,000. The threshold for subscription-based information technology arrangements (SBITAs) is \$250,000.

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
Landscaping improvements	20 years

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

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 balance consists of property taxes levied for debt service in the Debt Service Fund.

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

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2025

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, 2025

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	\$ 8,640,571
--	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 19,829,637	
Less accumulated depreciation	<u>(8,055,181)</u>	11,774,456

The difference between the face amount of bonds refunded and the amount paid to refund the bonds does not provide financial resources at the fund level and is recorded as a deferred outflow in the <i>Statement of Net Position</i> and amortized to interest expense.	201,044
--	---------

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.	(9,615,765)
---	-------------

Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.	148,018
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Total net position - governmental activities	<u><u>\$ 11,148,324</u></u>
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Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2025

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 \$ (142,763)

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. (351)

Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:

Capital outlays	\$ 708,818	
Depreciation expense	(538,744)	
		170,074

Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:

Principal payments	825,000	
Interest expense accrual	16,028	
		841,028

Change in net position of governmental activities \$ 867,988

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) 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)

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2025

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.

As of August 31, 2025, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 7,631,790		
	Debt Service	1,156,512		
Total		<u>\$ 8,788,302</u>	AAAm	42 days

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.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2025

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.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at August 31, 2025, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 16,107	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, 2025, is as follows:

	Beginning Balances	Increases/ Decreases	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 2,667,129	\$ -	\$ 2,667,129
Construction in progress	535,764	176,011	711,775
	<u>3,202,893</u>	<u>176,011</u>	<u>3,378,904</u>
Capital assets being depreciated			
Infrastructure	13,119,195	194,602	13,313,797
Recreational facilities	2,635,389		2,635,389
Landscaping improvements	163,342	338,205	501,547
	<u>15,917,926</u>	<u>532,807</u>	<u>16,450,733</u>
Less accumulated depreciation			
Infrastructure	(6,250,482)	(349,358)	(6,599,840)
Recreational facilities	(1,257,788)	(164,309)	(1,422,097)
Landscaping improvements	(8,167)	(25,077)	(33,244)
	<u>(7,516,437)</u>	<u>(538,744)</u>	<u>(8,055,181)</u>
Subtotal depreciable capital assets, net	<u>8,401,489</u>	<u>(5,937)</u>	<u>8,395,552</u>
Capital assets, net	<u>\$ 11,604,382</u>	<u>\$ 170,074</u>	<u>\$ 11,774,456</u>

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2025

Depreciation expense for the current fiscal year was \$538,744.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Paid To Date	Remaining Amount *
Permanent wastewater treatment plant access road	\$ 334,792	\$ 318,052	\$ 16,740
Pipeline easement improvements	162,344		162,344
	<u>\$ 497,136</u>	<u>\$ 318,052</u>	<u>\$ 179,084</u>

* Includes retainage

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 9,300,000
Unamortized discounts	(39,002)
Unamortized premium	354,767
	<u>\$ 9,615,765</u>
Due within one year	<u>\$ 855,000</u>

The District's bonds payable at August 31, 2025, 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	\$ 4,505,000	\$ 9,605,000	2.00% - 4.00%	September 1, 2013/2031	March 1, September 1	March 1, 2020
2016 Refunding	4,795,000	8,030,000	2.00% - 4.00%	September 1, 2016/2034	March 1, September 1	September 1, 2023
	<u>\$ 9,300,000</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, 2025, 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, 2025

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

Bonds payable, beginning of year	\$ 10,125,000
Bonds retired	<u>(825,000)</u>
Bonds payable, end of year	<u><u>\$ 9,300,000</u></u>

The debt service payment due September 1 was made during the current fiscal year. The following schedule was prepared presuming the practice will continue. As of August 31, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
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><u>\$ 9,300,000</u></u>	<u><u>\$ 1,985,600</u></u>	<u><u>\$ 11,285,600</u></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 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.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of \$0.644818 per \$100 of assessed value, of which \$0.386818 was allocated to maintenance and operations and \$0.258 was allocated to debt service. The resulting tax levy was \$3,389,106 on the adjusted taxable value of \$525,591,160.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2025

Property taxes receivable, at August 31, 2025, consisted of the following:

Current year taxes receivable	\$ 30,155
Prior years taxes receivable	73,660
	<u>103,815</u>
Penalty and interest receivable	44,203
Property taxes receivable	<u>\$ 148,018</u>

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 – Waste Supply Contracts

On January 29, 1986, the District executed an Emergency Water Supply Contract with Rankin Road West. The term of the emergency water service agreement is 35 years. The price of the water is \$0.75 per 1,000 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 Municipal 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

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2025

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 \$4.08 per 1,000 gallons of water pumped from each well. The Authority charges \$4.42 per 1,000 gallons of surface water purchased. The District recorded expenditures of \$860,421 for fees assessed and surface water purchased during the current fiscal year and had an operating deposit with the Authority of \$4,914.

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.

Note 12 – Subsequent Event

On December 18, 2025, the District sold its Series 2025 Unlimited Tax Bonds in the amount of \$8,100,000. Proceeds from the bonds will be used to fund the District’s wastewater treatment plant expansion project, related engineering and costs associated with the issuance of the bonds.

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Required Supplementary Information

*Harris County Municipal Utility District No. 304
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended August 31, 2025*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 737,569	\$ 714,203	\$ (23,366)
Sewer service	1,288,702	1,288,720	18
Property taxes	1,877,230	2,026,543	149,313
Penalties and interest	9,492	64,301	54,809
Regional water authority fees	594,405	654,342	59,937
Tap connection and inspection	5,435	20,064	14,629
Miscellaneous	21,839	48,481	26,642
Investment earnings	270,000	358,056	88,056
Total Revenues	4,804,672	5,174,710	370,038
Expenditures			
Current service operations			
Personnel	159,000	35,753	123,247
Professional fees	345,000	536,101	(191,101)
Contracted services	1,249,770	1,340,450	(90,680)
Repairs and maintenance	914,923	1,653,072	(738,149)
Utilities	97,438	76,210	21,228
Regional water authority fees	705,492	860,421	(154,929)
Administrative	196,394	188,884	7,510
Other	64,684	34,745	29,939
Capital outlay	2,137,500	708,818	1,428,682
Total Expenditures	5,870,201	5,434,454	435,747
Revenues Over/(Under) Expenditures	(1,065,529)	(259,744)	805,785
Fund Balance			
Beginning of the year	7,609,517	7,609,517	
End of the year	\$ 6,543,988	\$ 7,349,773	\$ 805,785

Harris County Municipal Utility District No. 304
Notes to Required Supplementary Information
August 31, 2025

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 fiscal year.

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Texas Supplementary Information

Harris County Municipal Utility District No. 304
TSI-1. Services and Rates
August 31, 2025

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):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
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 \$ 63.60 Wastewater \$ 52.32

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'S</u>
Unmetered	22	8	x 1.0	8
less than 3/4"	1,879	1,860	x 1.0	1,860
1"	3	3	x 2.5	8
1.5"	5	5	x 5.0	25
2"	19	19	x 8.0	152
3"	2	2	x 15.0	30
4"	6	6	x 25.0	150
6"	1	1	x 50.0	50
8"			x 80.0	
10"			x 115.0	
Total Water	1,937	1,904		2,283
Total Wastewater	1,937	1,904	x 1.0	1,904

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-1. Services and Rates
August 31, 2025

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

Gallons pumped into system:	<u>41,608,000</u>	Water Accountability Ratio:
*Gallons purchased:	<u>164,484,000</u>	(Gallons billed / Gallons pumped & purchased)
Gallons billed to customers:	<u>172,016,000</u>	<u>83.47%</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? _____

*Purchased from Central Harris County Regional Water Authority
 See accompanying auditor's report.

*Harris County Municipal Utility District No. 304
 TSI-2. General Fund Expenditures
 For the Year Ended August 31, 2025*

Personnel	<u>\$ 35,753</u>
Professional fees	
Legal	353,552
Audit	35,000
Engineering	147,549
	<u>536,101</u>
Contracted services	
Bookkeeping	64,996
Operator	152,415
Garbage collection	455,934
General management services	103,008
Tap connection and inspection	1,204
Security	485,731
Sludge removal	77,162
	<u>1,340,450</u>
Repairs and maintenance	<u>1,653,072</u>
Utilities	<u>76,210</u>
Regional water authority fees	<u>860,421</u>
Administrative	
Printing and office supplies	9,865
Insurance	50,582
Travel and expense reimbursements	13,893
Other	114,544
	<u>188,884</u>
Other	<u>34,745</u>
Capital outlay	<u>708,818</u>
Total expenditures	<u>\$ 5,434,454</u>

*Number of persons employed by the District

None

*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, 2025

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	<u>\$ 7,631,790</u>
Debt Service			
TexPool	Variable	N/A	<u>1,156,512</u>
Total - All Funds			<u><u>\$ 8,788,302</u></u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-4. Taxes Levied and Receivable
August 31, 2025

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 48,725	\$ 57,986	\$ 106,711	
Adjustments to Prior Year Tax Levy	(8,234)	(5,488)	(13,722)	
Adjusted Receivable	40,491	52,498	92,989	
2024 Original Tax Levy	1,931,705	1,288,409	3,220,114	
Adjustments	101,376	67,616	168,992	
Adjusted Tax Levy	2,033,081	1,356,025	3,389,106	
Total to be accounted for	2,073,572	1,408,523	3,482,095	
Tax collections:				
Current year	2,014,991	1,343,960	3,358,951	
Prior years	11,551	7,778	19,329	
Total Collections	2,026,542	1,351,738	3,378,280	
Taxes Receivable, End of Year	\$ 47,030	\$ 56,785	\$ 103,815	
Taxes Receivable, By Years				
2024	\$ 18,090	\$ 12,065	\$ 30,155	
2023	8,835	5,871	14,706	
2022	5,212	3,653	8,865	
2021 and prior	14,893	35,196	50,089	
Taxes Receivable, End of Year	\$ 47,030	\$ 56,785	\$ 103,815	
	2024	2023	2022	2021
Property Valuations:				
Land	\$ 124,099,329	\$ 122,551,835	\$ 75,651,397	\$ 74,729,780
Improvements	478,573,189	447,039,649	433,860,679	386,291,663
Personal Property	10,726,609	9,924,376	9,990,818	7,625,260
Exemptions	(87,807,967)	(83,487,700)	(73,129,549)	(67,694,842)
Total Property Valuations	\$ 525,591,160	\$ 496,028,160	\$ 446,373,345	\$ 400,951,861
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.386818	\$ 0.387534	\$ 0.3959	\$ 0.43
Debt service tax rates	0.258000	0.257500	0.2775	0.32
Total Tax Rates per \$100 Valuation	\$ 0.644818	\$ 0.645034	\$ 0.6734	\$ 0.75
Adjusted Tax Levy:	\$ 3,389,106	\$ 3,199,550	\$ 3,005,878	\$ 3,007,139
Percentage of Taxes Collected to Taxes Levied **	99.11%	99.54%	99.71%	99.77%

* 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, 2025*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
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>\$ 4,505,000</u>	<u>\$ 664,600</u>	<u>\$ 5,169,600</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, 2025*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
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>\$ 4,795,000</u>	<u>\$ 1,321,000</u>	<u>\$ 6,116,000</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, 2025*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
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>\$ 9,300,000</u>	<u>\$ 1,985,600</u>	<u>\$ 11,285,600</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-6. Change in Long-Term Bonded Debt
August 31, 2025

	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 - 9/1/34	
Beginning bonds outstanding	\$ 5,110,000	\$ 5,015,000	\$ 10,125,000
Bonds retired	<u>(605,000)</u>	<u>(220,000)</u>	<u>(825,000)</u>
Ending bonds outstanding	<u>\$ 4,505,000</u>	<u>\$ 4,795,000</u>	<u>\$ 9,300,000</u>
Interest paid during fiscal year	<u>\$ 204,400</u>	<u>\$ 200,600</u>	<u>\$ 405,000</u>

Paying agent's name and city
All Series

The Bank of New York Mellon Trust Company, N.A., Houston, Texas

	Water, Sewer and Drainage Bonds	Refunding Bonds
Bond Authority:		
Amount Authorized by Voters	\$ 30,271,760	\$ 30,271,760
Amount Issued	<u>(22,170,000)</u>	<u>(999,133)</u>
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, 2025: \$ 1,331,740

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,253,956

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				
	2025**	2024**	2023**	2022**	2021
Revenues					
Water service	\$ 714,203	\$ 742,838	\$ 753,043	\$ 703,096	\$ 798,612
Sewer service	1,288,720	1,310,016	1,256,247	1,254,637	1,182,897
Property taxes	2,026,543	1,909,545	1,760,066	1,707,555	1,527,819
Penalties and interest	64,301	27,548	23,768	59,849	44,820
Regional water authority fees	654,342	605,117	628,101	607,871	537,149
Tap connection and inspection	20,064	9,678	49,240	4,833	26,386
Miscellaneous**	48,481	306,152	17,038	23,353	103,400
Investment earnings**	358,056	361,983	210,690	35,973	
Total Revenues	5,174,710	5,272,877	4,698,193	4,397,167	4,221,083
Expenditures					
Current service operations					
Personnel	35,753	106,007	45,674	50,395	
Professional fees	536,101	629,610	471,223	455,188	279,232
Contracted services	1,340,450	1,090,749	772,496	769,208	639,174
Repairs and maintenance	1,653,072	882,158	947,473	1,110,852	684,999
Utilities	76,210	90,552	82,070	95,474	99,774
Regional water authority fees	860,421	746,366	698,647	655,881	656,875
Administrative	188,884	112,693	177,693	153,454	
Other	34,745	61,423	27,385	21,546	395,947
Capital outlay	708,818	364,177	1,654,631	513,447	158,510
Debt service					
Interest and fees			5,183		
Cash defeasance			1,315,000		
Total Expenditures	5,434,454	4,083,735	6,197,475	3,825,445	2,914,511
Revenues Over/(Under) Expenditures	(259,744)	1,189,142	(1,499,282)	571,722	1,306,572
Other Item					
Insurance proceeds				65,251	
Net Change in Fund Balance	(259,744)	1,189,142	(1,499,282)	636,973	1,306,572
Fund Balance, Beginning of the year	7,609,517	6,420,375	7,919,657	7,282,684	5,976,112
End of the year	\$ 7,349,773	\$ 7,609,517	\$ 6,420,375	\$ 7,919,657	\$ 7,282,684

*Percentage is negligible

**Classification of miscellaneous revenues and investment earnings in FYE 2022 to 2025 is not consistent with FYE 2021. In FYE 2021 these amounts were reported together.

See accompanying auditor's report.

Percent of Fund Total Revenues

2025	2024	2023	2022	2021
14%	14%	17%	15%	19%
25%	25%	27%	29%	28%
39%	36%	37%	39%	36%
1%	1%	1%	1%	1%
13%	11%	13%	14%	13%
*	*	1%	*	1%
1%	6%	*	1%	2%
7%	7%	4%	1%	
100%	100%	100%	100%	100%
1%	2%	1%	1%	
10%	12%	10%	10%	7%
26%	21%	16%	17%	15%
32%	17%	20%	25%	16%
1%	2%	2%	2%	2%
17%	14%	15%	15%	16%
4%	2%	4%	3%	
1%	1%	1%	*	9%
14%	7%	35%	12%	4%
		*		
		28%		
106%	78%	132%	85%	69%
(6%)	22%	(32%)	15%	31%

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				
	2025**	2024**	2023**	2022**	2021
Revenues					
Property taxes	\$ 1,350,685	\$ 1,268,386	\$ 1,242,564	\$ 1,291,219	\$ 1,275,823
Penalties and interest	22,457	16,289	19,558	15,683	18,968
Miscellaneous**	30		18	20	
Investment earnings**	78,118	81,154	51,030	8,480	10,008
Total Revenues	1,451,290	1,365,829	1,313,170	1,315,402	1,304,799
Expenditures					
Tax collection services	102,734	81,472	85,768	75,603	71,744
Debt service					
Principal	825,000	790,000	760,000	735,000	710,000
Interest and fees	406,575	438,175	468,200	546,200	572,650
Total Expenditures	1,334,309	1,309,647	1,313,968	1,356,803	1,354,394
Revenues Over/(Under) Expenditures	116,981	56,182	(798)	(41,401)	(49,595)
Fund Balance, Beginning of the year	1,173,817	1,117,635	1,118,433	1,159,834	1,209,429
End of the year	\$ 1,290,798	\$ 1,173,817	\$ 1,117,635	\$ 1,118,433	\$ 1,159,834
Total Active Retail Water Connections	1,904	1,870	1,885	1,859	1,859
Total Active Retail Wastewater Connections	1,904	1,847	1,845	1,838	1,838

*Percentage is negligible

**Classification of miscellaneous revenues and investment earnings in FYE 2022 to 2025 is not consistent with FYE 2021. In FYE 2021 these amounts were reported together.

See accompanying auditor's report.

Percent of Fund Total Revenues

2025	2024	2023	2022	2021
93%	93%	95%	98%	98%
2%	1%	1%	1%	1%
*		*	*	
5%	6%	4%	1%	1%
100%	100%	100%	100%	100%
7%	6%	7%	6%	5%
57%	58%	58%	56%	54%
28%	32%	36%	42%	44%
92%	96%	101%	104%	103%
8%	4%	(1%)	(4%)	(3%)

Harris County Municipal Utility District No. 304
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended August 31, 2025

Complete District Mailing Address: 1550 Lamar St, Houston, TX 77010
District Business Telephone Number: (713) 651-5151
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): August 22, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid *</u>	<u>Expense Reimburse- ments</u>	<u>Title at Year End</u>
Board Members				
Sharon Mayo	05/24 - 05/28	\$ 7,198	\$ 3,868	President
Geri Scott	05/24 - 05/28	7,072	3,602	Vice President
Sandra Ford	08/22 - 05/26	7,198	4,114	Secretary
LaFrances Moses	10/24 - 05/26	3,536	728	Director
Larry Gene Allen Sr.	05/24 - 05/28	3,757		Director
Elise Byrd	08/22 - 10/24	4,010	969	Former Director
Consultants				
		<u>Amounts Paid</u>		
Norton Rose Fulbright US LLP	09/25			Attorney
Mitchell, Zientek & Scruggs, LLP	05/24	\$ 346,987		Former Attorney
Precision Utility, LLC	05/23	1,459,202		Operator
TNR Advisors & Management Consultants, LLC	12/23	67,694		Bookkeeper
Wheeler and Associates, Inc.	08/25	31,070		Tax Collector
Harris Central Appraisal District	Legislation	31,638		Property Valuation
Ted A. Cox, P.C.	Prior to 09/01	15,006		Delinquent Tax Attorney
Edminster Hinshaw Russ & Associates, Inc.	08/15	231,826		Engineer
McGrath & Co., PLLC	11/23	35,000		Auditor
The GMS Group, LLC	07/25			Financial Advisor
Special Districts Management Solutions, LLC	06/25	15,000		General Manager
TXMGMT, LLC	08/24	108,865		Former General Manager

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