

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 2018

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ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

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

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of August 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 20, 2018

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2018**

Management's discussion and analysis of Harris County Municipal Utility District No. 304's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2018**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$421,039 as of August 31, 2018. A portion of the District's net position reflects its net investment in capital assets (land, recreational facilities, and the water and wastewater systems, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 7,840,085	\$ 6,493,055	\$ 1,347,030
Capital Assets (Net of Accumulated Depreciation)	9,847,047	9,779,084	67,963
Total Assets	\$ 17,687,132	\$ 16,272,139	\$ 1,414,993
Deferred Outflows of Resources	\$ 319,094	\$ 331,626	\$ (12,532)
Bonds Payable	\$ 16,357,271	\$ 17,037,898	\$ 680,627
Other Liabilities	1,227,916	652,873	(575,043)
Total Liabilities	\$ 17,585,187	\$ 17,690,771	\$ 105,584
Net Investment in Capital Assets	\$ (6,527,329)	\$ (6,906,674)	\$ 379,345
Restricted	1,421,905	1,436,493	(14,588)
Unrestricted	5,526,463	4,383,175	1,143,288
Total Net Position	\$ 421,039	\$ (1,087,006)	\$ 1,508,045

The following table provides a summary of the District's operations for the years ended August 31, 2018, and August 31, 2017.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,047,963	\$ 1,777,048	\$ 270,915
Charges for Services	2,260,962	1,958,459	302,503
Other Revenues	137,772	88,065	49,707
Total Revenues	\$ 4,446,697	\$ 3,823,572	\$ 623,125
Expenses for Services	2,938,652	4,316,813	1,378,161
Change in Net Position	\$ 1,508,045	\$ (493,241)	\$ 2,001,286
Net Position, Beginning of Year	(1,087,006)	(593,765)	(493,241)
Net Position, End of Year	\$ 421,039	\$ (1,087,006)	\$ 1,508,045

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of August 31, 2018, were \$7,017,496, an increase of \$1,117,191 from the prior year.

The General Fund fund balance increased by \$1,140,646, primarily due to service and tax revenues exceeding operating and capital expenditures.

The Debt Service Fund fund balance decreased by \$26,036, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$2,581.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$349,858 more than budgeted revenues primarily due to higher than anticipated service revenues, property tax revenues, investment revenues and tap connection and inspection fees. Actual expenditures were \$790,148 less than budgeted expenditures primarily due to lower than anticipated capital outlay due to the timing of projects.

CAPITAL ASSETS

Capital assets as of August 31, 2018, total \$9,847,047 (net of accumulated depreciation) and include land, water and wastewater systems, and recreational facilities. Current year additions included the cost of water and wastewater facilities serving Silverglen North, Section 14.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,461,721	\$ 2,461,721	\$
Construction in Progress	345,382	195,164	150,218
Capital Assets, Net of Accumulated Depreciation:			
Recreational Facilities	999,862	1,061,562	(61,700)
Water System	2,487,697	2,520,329	(32,632)
Wastewater System	3,552,385	3,540,308	12,077
Total Net Capital Assets	<u>\$ 9,847,047</u>	<u>\$ 9,779,084</u>	<u>\$ 67,963</u>

Drainage facilities are conveyed to Harris County (the "County") once placed in service. The County operates the facilities and is responsible for the maintenance. Drainage facilities in the Silverchase and Silverglen North developments have been conveyed to the County.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2018**

LONG-TERM DEBT ACTIVITY

At year end, the District had total bond debt payable of \$15,790,000. The changes in the debt position of the District during the fiscal year ended August 31, 2018, are summarized as follows:

Bond Debt Payable, September 1, 2017	\$ 16,435,000
Less: Bond Principal Paid	<u>645,000</u>
Bond Debt Payable, August 31, 2018	<u>\$ 15,790,000</u>

Series 2012 and 2016 refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp and Build America Mutual Assurance Company, respectively. These ratings are as of August 31, 2018, and reflect any changes through that date.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 304, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056-3012.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 565,659	\$ 62,928
Investments	5,281,015	1,279,486
Receivables:		
Property Taxes	15,304	51,103
Penalty and Interest on Delinquent Taxes		
Service Accounts	250,439	
Accrued Interest	24,293	6,691
Due from Other Funds	7,907	
Prepaid Costs		
Advance for Regional Water Authority	4,914	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 6,149,531</u>	<u>\$ 1,400,208</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunded Bonds	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,149,531</u>	<u>\$ 1,400,208</u>

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 550	\$ 629,137	\$	\$ 629,137
216,344	6,776,845		6,776,845
	66,407		66,407
		34,315	34,315
	250,439		250,439
	30,984		30,984
	7,907	(7,907)	
		47,044	47,044
	4,914		4,914
		2,461,721	2,461,721
		345,382	345,382
		7,039,944	7,039,944
<u>\$ 216,894</u>	<u>\$ 7,766,633</u>	<u>\$ 9,920,499</u>	<u>\$ 17,687,132</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 319,094</u>	<u>\$ 319,094</u>
<u>\$ 216,894</u>	<u>\$ 7,766,633</u>	<u>\$ 10,239,593</u>	<u>\$ 18,006,226</u>

The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2018

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 317,684	\$
Due to Developer		
Due to Other Funds		7,907
Due to Taxpayers		4,711
Security Deposits	352,428	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 670,112	\$ 12,618
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 15,304	\$ 51,103
 FUND BALANCES		
Nonspendable:		
Advance For Regional Water Authority	\$ 4,914	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,336,487
Assigned to 2019 Budget	1,117,684	
Unassigned	4,341,517	
TOTAL FUND BALANCES	\$ 5,464,115	\$ 1,336,487
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,149,531	\$ 1,400,208
 NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial
statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 317,684	\$	\$ 317,684
		553,093	553,093
	7,907	(7,907)	
	4,711		4,711
	352,428		352,428
		670,000	670,000
		15,687,271	15,687,271
<u>\$ - 0 -</u>	<u>\$ 682,730</u>	<u>\$ 16,902,457</u>	<u>\$ 17,585,187</u>
<u>\$ - 0 -</u>	<u>\$ 66,407</u>	<u>\$ (66,407)</u>	<u>\$ - 0 -</u>
\$	\$ 4,914	\$ (4,914)	\$
216,894	216,894	(216,894)	
	1,336,487	(1,336,487)	
	1,117,684	(1,117,684)	
	4,341,517	(4,341,517)	
<u>\$ 216,894</u>	<u>\$ 7,017,496</u>	<u>\$ (7,017,496)</u>	<u>\$ - 0 -</u>
<u>\$ 216,894</u>	<u>\$ 7,766,633</u>		
		\$ (6,527,329)	\$ (6,527,329)
		1,421,905	1,421,905
		5,526,463	5,526,463
		<u>\$ 421,039</u>	<u>\$ 421,039</u>

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2018**

Total Fund Balances - Governmental Funds \$ 7,017,496

Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 319,094

Prepaid bond insurance in governmental activities is not a current financial resource and, therefore, is not reported as an asset in the governmental funds. 47,044

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 9,847,047

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District. 100,722

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (553,093)	
Bonds Payable	<u>(16,357,271)</u>	<u>(16,910,364)</u>
Total Net Position - Governmental Activities		<u>\$ 421,039</u>

The accompanying notes to the financial statements are an integral part of this report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 763,839	\$ 1,272,913
Water Service	684,119	
Wastewater Service	733,119	
Water Authority Fees	515,637	
Penalty and Interest	57,243	17,682
Tap Connection and Inspection Fees	248,435	
Miscellaneous Revenues	104,236	30,405
TOTAL REVENUES	\$ 3,106,628	\$ 1,321,000
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 158,855	\$ 4,961
Contracted Services	182,838	52,438
Utilities	102,321	
Water Authority Costs	573,244	
Repairs and Maintenance	294,052	
Depreciation		
Other	497,104	10,137
Capital Outlay	158,118	
Conveyance of Assets		
Debt Service:		
Bond Principal		645,000
Bond Interest		634,500
TOTAL EXPENDITURES/EXPENSES	\$ 1,966,532	\$ 1,347,036
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 1,140,096	\$ (26,036)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 550	\$ - 0 -
NET CHANGE IN FUND BALANCES	\$ 1,140,646	\$ (26,036)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - SEPTEMBER 1, 2017	4,323,469	1,362,523
FUND BALANCES/NET POSITION - AUGUST 31, 2018	\$ 5,464,115	\$ 1,336,487

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,036,752	\$ 11,211	\$ 2,047,963
	684,119		684,119
	733,119		733,119
	515,637		515,637
	74,925	4,727	79,652
	248,435		248,435
3,131	137,772		137,772
<u>\$ 3,131</u>	<u>\$ 4,430,759</u>	<u>\$ 15,938</u>	<u>\$ 4,446,697</u>
\$	\$ 163,816	\$	\$ 163,816
	235,276		235,276
	102,321		102,321
	573,244		573,244
	294,052		294,052
		324,090	324,090
	507,241		507,241
	158,118	(158,118)	
		125,359	125,359
	645,000	(645,000)	
	634,500	(21,247)	613,253
<u>\$ - 0 -</u>	<u>\$ 3,313,568</u>	<u>\$ (374,916)</u>	<u>\$ 2,938,652</u>
\$ 3,131	\$ 1,117,191	\$ 390,854	\$ 1,508,045
\$ (550)	\$ - 0 -	\$ - 0 -	\$ - 0 -
\$ 2,581	\$ 1,117,191	\$ (1,117,191)	\$
		1,508,045	1,508,045
214,313	5,900,305	(6,987,311)	(1,087,006)
<u>\$ 216,894</u>	<u>\$ 7,017,496</u>	<u>\$ (6,596,457)</u>	<u>\$ 421,039</u>

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$ 1,117,191
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	11,211
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	4,727
Governmental funds do not account for depreciation. However, depreciation expense is recorded in the Statement of Activities.	(324,090)
Governmental funds report capital expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	32,759
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	645,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	<u>21,247</u>
Change in Net Position - Governmental Activities	<u>\$ 1,508,045</u>

The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 304, located in Harris County, Texas (the “District”) was created by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”), effective May 1, 1985. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water service, wastewater service, storm sewer drainage and recreational services for residents of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. At August 31, 2018, the Debt Service Fund owed the General Fund \$7,907 for maintenance tax collections. During the current fiscal year, the Capital Projects Fund transferred \$550 to the General Fund.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost, or estimated historical cost, if actual historical cost is not available. Donated assets are valued at

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs, that extend the life of an asset, are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Recreational Facilities	5-20
Water and Sewer Systems	10-45

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

Directors are considered “employees” for federal payroll tax purposes only. The District also has 4 part-time employees. Payments are made into the social security system for employees and directors, although a pension plan has not been established for anyone.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned \$1,117,684 of its General Fund fund balance to cover a projected 2019 budget shortfall.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended August 31, 2018:

	September 1, 2017	Additions	Retirements	August 31, 2018
Bonds Payable	\$ 16,435,000	\$	\$ 645,000	\$ 15,790,000
Unamortized Discounts	(91,669)		(6,661)	(85,008)
Unamortized Premiums	694,567		42,288	652,279
Bonds Payable, Net	\$ 17,037,898	\$ -0-	\$ 680,627	\$ 16,357,271
			Amount Due Within One Year	\$ 670,000
			Amount Due After One Year	15,687,271
			Bonds Payable, Net	\$ 16,357,271

	Refunding Series 2012	Refunding Series 2016
Amount Outstanding - August 31, 2018	\$ 8,275,000	\$ 7,515,000
Interest Rates	3.00% – 4.00%	3.00% – 4.00%
Maturity Dates-Beginning/Ending	September 1, 2019/2031	September 1, 2019/2035
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2020*	September 1, 2023*

* Or on any date thereafter, in whole or in part, at the option of the District, at par plus accrued interest to the date of redemption.

As of August 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 670,000	\$ 617,000	\$ 1,287,000
2020	685,000	596,900	1,281,900
2021	710,000	571,400	1,281,400
2022	735,000	544,950	1,279,950
2023	760,000	517,550	1,277,550
2024-2028	4,280,000	2,116,800	6,396,800
2029-2033	5,375,000	1,186,000	6,561,000
2034-2035	2,575,000	155,600	2,730,600
	\$ 15,790,000	\$ 6,306,200	\$ 22,096,200

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

As of August 31, 2018, the District had authorized but unissued bonds in the amount of \$8,101,760 for utility facilities and \$29,272,627 for refunding bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

For the 2017 tax year, the District levied an ad valorem debt service tax rate of \$0.50 per \$100 of assessed valuation, which resulted in a tax levy of \$1,281,418 on the adjusted taxable valuation of \$256,284,460. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. The District's tax calendar is as follows:

Levy Date	- October 1 or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information is of the general type included in the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The bond orders state that the District should take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$5,694,137 and the bank balance was \$5,490,304. The District was not exposed to custodial credit risk at year end.

The carrying value of the deposits is included in the Governmental Funds Balance Sheet and the Statement of Net Position at August 31, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 565,659	\$ 3,995,000	\$ 4,560,659
DEBT SERVICE FUND	62,928	1,070,000	1,132,928
CAPITAL PROJECTS FUND	550		550
TOTAL DEPOSITS	\$ 629,137	\$ 5,065,000	\$ 5,694,137

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District's investment in TexPool is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. The District's investments in certificates of deposit are recorded at amortized cost. As of August 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$1,286,015	\$ 1,286,015
Certificates of Deposit	3,995,000	3,995,000
<u>DEBT SERVICE FUND</u>		
TexPool	209,486	209,486
Certificates of Deposit	1,070,000	1,070,000
<u>CAPITAL PROJECTS FUND</u>		
TexPool	216,344	216,344
TOTAL INVESTMENTS	\$6,776,845	\$ 6,776,845

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2018, the District's investment in TexPool was rated "AAAm" by Standard and Poor's. The District also addresses credit risk by investing in certificates of deposit with balances below FDIC insurance coverage. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year since the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also addresses interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions - All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2018, is as follows:

	September 1, 2017	Increases	Decreases	August 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,461,721	\$	\$	\$ 2,461,721
Construction in Progress	195,164	392,053	241,835	345,382
Total Capital Assets Not Being Depreciated	\$ 2,656,885	\$ 392,053	\$ 241,835	\$ 2,807,103
Capital Assets Subject to Depreciation				
Recreational Facilities	\$ 1,476,327	\$ 7,900	\$	\$ 1,484,227
Water System	4,138,634	86,799		4,225,433
Wastewater System	6,064,832	147,136		6,211,968
Total Capital Assets Subject to Depreciation	\$ 11,679,793	\$ 241,835	\$ - 0 -	\$ 11,921,628
Less Accumulated Depreciation				
Recreational Facilities	\$ 414,765	\$ 69,600	\$	\$ 484,365
Water System	1,618,305	119,431		1,737,736
Wastewater System	2,524,524	135,059		2,659,583
Total Accumulated Depreciation	\$ 4,557,594	\$ 324,090	\$ - 0 -	\$ 4,881,684
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 7,122,199	\$ (82,255)	\$ - 0 -	\$ 7,039,944
Total Capital Assets, Net of Accumulated Depreciation	\$ 9,779,084	\$ 309,798	\$ 241,835	\$ 9,847,047

Drainage facilities are conveyed to Harris County (the "County") once constructed and placed in service. The County operates the facilities and is responsible for the maintenance. To date, drainage facilities in the Silverchase development and Silverglen North have been constructed and conveyed to the County.

NOTE 7. MAINTENANCE TAX

On January 20, 1996, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.30 per \$100 of assessed valuation, which resulted in a tax levy of \$768,851 on the adjusted taxable valuation of \$256,284,460 for the 2017 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

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. EMERGENCY WATER SUPPLY CONTRACT

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 10. CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

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 \$3.01 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$573,244 for fees assessed 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 design and construct a supply line from the system to the District's water plant. Under the terms of the agreement, the Authority will design, permit and construct the facilities. In a prior year, the District made a design payment of \$85,550 to the Authority, plus an additional \$5,000 for miscellaneous fiscal, legal and administrative expenses. Upon completion, the Authority will convey title to any District facilities constructed as part of such extension to the District and the Authority will cause an accounting to be made of the final project costs. The Authority will have the option to reimburse the District in a lump sum cash payment, plus interest, no later than December 31, 2020. 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.

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 natural disasters, for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 12. DUE TO DEVELOPERS

Developers of the District have constructed underground utilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission. As reflected in the Statement of Net Position, \$553,093 has been recorded as of August 31, 2018.

NOTE 13. SUBSEQUENT EVENT – PENDING USE OF SURPLUS FUNDS AND CHANGE IN PROJECT SCOPE APPLICATION

Subsequent to year-end, on October 30, 2018, the District submitted an application to the Commission for a change of project scope and use of surplus funds in the amount of \$287,633 for reimbursement to the Developer for facilities serving Silverglen North, Section 14. As of the date of this report, the application has not been approved.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304

REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 691,000	\$ 763,839	\$ 72,839
Water Service	670,900	684,119	13,219
Wastewater Service	679,100	733,119	54,019
Water Authority Fees	549,120	515,637	(33,483)
Penalty and Interest	54,000	57,243	3,243
Tap Connection and Inspection Fees	46,150	248,435	202,285
Miscellaneous Revenues	66,500	104,236	37,736
TOTAL REVENUES	<u>\$ 2,756,770</u>	<u>\$ 3,106,628</u>	<u>\$ 349,858</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 161,800	\$ 158,855	\$ 2,945
Contracted Services	178,800	182,838	(4,038)
Utilities	114,700	102,321	12,379
Water Authority Costs	584,250	573,244	11,006
Repairs and Maintenance	368,200	294,052	74,148
Other	414,830	497,104	(82,274)
Capital Outlay	934,100	158,118	775,982
TOTAL EXPENDITURES	<u>\$ 2,756,680</u>	<u>\$ 1,966,532</u>	<u>\$ 790,148</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 90</u>	<u>\$ 1,140,096</u>	<u>\$ 1,140,006</u>
OTHER FINANCING SOURCES(USES)			
Transfers In(Out)	<u>\$ - 0 -</u>	<u>\$ 550</u>	<u>\$ 550</u>
NET CHANGE IN FUND BALANCE	\$ 90	\$ 1,140,646	\$ 1,140,556
FUND BALANCE - SEPTEMBER 1, 2017	<u>4,323,469</u>	<u>4,323,469</u>	<u></u>
FUND BALANCE - AUGUST 31, 2018	<u>\$ 4,323,559</u>	<u>\$ 5,464,115</u>	<u>\$ 1,140,556</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

AUGUST 31, 2018

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
 SERVICES AND RATES
 FOR THE YEAR ENDED AUGUST 31, 2018**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> X </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> X </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> X </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> X </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order dated February 15, 2018.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 23.00	9,000	N	\$ 2.80	9,001 and up
WASTEWATER:	\$ 33.00		Y		
SURCHARGE:					
Water Authority Fees	\$ 3.28	Per 1,000 gallons			

District employs winter averaging for wastewater usage? X
Yes No

Total charges per 10,000 gallons usage: Water: \$25.80 Wastewater: \$33.00 Surcharge: \$32.80 Total: \$91.60

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2018

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	1,664	1,647	x 1.0	1,647
1"	6	6	x 2.5	15
1½"	1	1	x 5.0	5
2"	14	14	x 8.0	112
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 Connections	<u>1,690</u>	<u>1,673</u>		<u>2,014</u>
Total Wastewater Connections	<u>1,609</u>	<u>1,582</u>	x 1.0	<u>1,582</u>

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

Gallons pumped into system:	198,573,000	Water Accountability Ratio: 95.5% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	188,773,000	
Gallons Sold:	886,000	<u>To: Harris County Municipal Utility District No. 217</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2018

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2018

PROFESSIONAL FEES:	
Auditing	\$ 16,500
Engineering	36,308
Legal	106,047
TOTAL PROFESSIONAL FEES	<u>\$ 158,855</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 35,662
Operations and Billing	75,948
General Managers	43,000
TOTAL CONTRACTED SERVICES	<u>\$ 154,610</u>
UTILITIES:	
Electricity	\$ 97,693
Telephone	4,628
TOTAL UTILITIES	<u>\$ 102,321</u>
REPAIRS AND MAINTENANCE	<u>\$ 294,052</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 25,200
Public Information Act	31,853
Insurance	19,839
Office Supplies and Postage	32,368
Payroll Taxes	5,762
Election Costs	23,166
Travel and Meetings	59,333
Other	48,606
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 246,127</u>
CAPITAL OUTLAY	<u>\$ 158,118</u>
TAP CONNECTIONS	<u>\$ 82,174</u>
SECURITY	<u>\$ 28,228</u>
OTHER EXPENDITURES:	
Chemicals	\$ 32,806
Laboratory Fees	7,819
Permit Fees	27,670
Reconnection Fees	3,425
Inspection Fees	28,700
Water Authority Costs	573,244
Regulatory Assessment	7,133
Sludge Hauling	61,250
TOTAL OTHER EXPENDITURES	<u>\$ 742,047</u>
TOTAL EXPENDITURES	<u><u>\$ 1,966,532</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
INVESTMENTS
AUGUST 31, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 1,286,015	\$
Certificate of Deposit	XXXX9691	1.05%	01/03/19	240,000	1,657
Certificate of Deposit	XXXX1552	1.10%	12/02/18	240,000	1,967
Certificate of Deposit	XXXX3719	2.06%	05/23/19	245,000	1,397
Certificate of Deposit	XXXX0564	1.35%	09/06/18	150,000	1,981
Certificate of Deposit	XXXX5840	2.38%	07/18/19	240,000	657
Certificate of Deposit	XXXX1843	2.20%	06/09/19	240,000	1,201
Certificate of Deposit	XXXX1624	2.40%	08/23/19	240,000	110
Certificate of Deposit	XXXX6331	1.70%	05/03/19	240,000	1,341
Certificate of Deposit	XXXX4634	1.00%	11/10/18	240,000	1,933
Certificate of Deposit	XXXX8516	1.20%	03/11/19	240,000	1,365
Certificate of Deposit	XXXX6255	1.10%	02/24/19	240,000	1,360
Certificate of Deposit	XXXX7305	1.91%	10/31/18	240,000	1,507
Certificate of Deposit	XXXX0017	1.25%	03/11/19	240,000	1,438
Certificate of Deposit	XXXX5576	1.10%	10/30/18	240,000	2,235
Certificate of Deposit	XXXX2952	2.10%	07/22/19	240,000	539
Certificate of Deposit	XXXX8264	1.30%	03/11/19	240,000	1,479
Certificate of Deposit	XXXX7747	1.05%	10/27/18	240,000	2,126
TOTAL GENERAL FUND				<u>\$ 5,281,015</u>	<u>\$ 24,293</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 209,486	\$
Certificate of Deposit	XXXX3232	1.30%	03/04/19	110,000	713
Certificate of Deposit	XXXX1091	1.90%	02/27/19	240,000	1,499
Certificate of Deposit	XXXX7291	1.98%	02/28/19	240,000	1,563
Certificate of Deposit	XXXX3949	1.25%	03/01/19	240,000	1,496
Certificate of Deposit	XXXX0284	1.80%	02/27/19	240,000	1,420
TOTAL DEBT SERVICE FUND				<u>\$ 1,279,486</u>	<u>\$ 6,691</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 216,344	\$ -0-
TOTAL				<u>\$ 6,776,845</u>	<u>\$ 30,984</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
SEPTEMBER 1, 2017	\$	10,814		\$ 44,382
Adjustments to Beginning				
Balance		<u>(522)</u>	\$ 10,292	<u>(1,784)</u> \$ 42,598
Original 2017 Tax Levy	\$	667,417		\$ 1,112,362
Adjustment to 2017 Tax Levy		<u>101,434</u>	<u>768,851</u>	<u>169,056</u> 1,281,418
TOTAL TO BE				
ACCOUNTED FOR			\$ 779,143	\$ 1,324,016
TAX COLLECTIONS:				
Prior Years	\$	1,895		\$ 3,007
Current Year		<u>761,944</u>	<u>763,839</u>	<u>1,269,906</u> 1,272,913
TAXES RECEIVABLE -				
AUGUST 31, 2018			<u>\$ 15,304</u>	<u>\$ 51,103</u>
TAXES RECEIVABLE BY				
YEAR:				
2017			\$ 6,907	\$ 11,512
2016			2,454	4,646
2015			1,486	3,143
2014			385	2,885
2013			375	3,003
2012 and Prior			<u>3,697</u>	<u>25,914</u>
TOTAL			<u>\$ 15,304</u>	<u>\$ 51,103</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 63,703,192	\$ 57,687,764	\$ 56,295,257	\$ 53,960,125
Improvements	242,891,615	215,753,063	196,023,926	167,986,446
Personal Property	4,935,747	5,275,272	5,539,783	4,993,192
Exemptions	<u>(55,246,094)</u>	<u>(57,753,874)</u>	<u>(57,636,225)</u>	<u>(55,211,948)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 256,284,460</u>	<u>\$ 220,962,225</u>	<u>\$ 200,222,741</u>	<u>\$ 171,727,815</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.50	\$ 0.53	\$ 0.55	\$ 0.75
Maintenance	<u>0.30</u>	<u>0.28</u>	<u>0.26</u>	<u>0.10</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.80</u>	<u>\$ 0.81</u>	<u>\$ 0.81</u>	<u>\$ 0.85</u>
ADJUSTED TAX LEVY*	<u>\$ 2,050,269</u>	<u>\$ 1,789,785</u>	<u>\$ 1,621,796</u>	<u>\$ 1,459,679</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.10 %</u>	<u>99.60 %</u>	<u>99.71 %</u>	<u>99.78 %</u>

* Based upon the adjusted tax at the time of the audit for the fiscal year in which the tax was levied.

** Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation was approved by voters on January 20, 1996.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2018

S E R I E S - 2 0 1 2 R E F U N D I N G			
Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 480,000	\$ 326,200	\$ 806,200
2020	495,000	311,800	806,800
2021	515,000	292,000	807,000
2022	535,000	271,400	806,400
2023	555,000	250,000	805,000
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
2032			
2033			
2034			
2035			
	\$ 8,275,000	\$ 2,548,200	\$ 10,823,200

The District records the amount due September 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2018

S E R I E S - 2 0 1 6 R E F U N D I N G			
Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 190,000	\$ 290,800	\$ 480,800
2020	190,000	285,100	475,100
2021	195,000	279,400	474,400
2022	200,000	273,550	473,550
2023	205,000	267,550	472,550
2024	205,000	261,400	466,400
2025	220,000	253,200	473,200
2026	225,000	244,400	469,400
2027	230,000	235,400	465,400
2028	175,000	226,200	401,200
2029	180,000	219,200	399,200
2030	175,000	212,000	387,000
2031	180,000	205,000	385,000
2032	1,160,000	197,800	1,357,800
2033	1,210,000	151,400	1,361,400
2034	1,260,000	103,000	1,363,000
2035	1,315,000	52,600	1,367,600
	\$ 7,515,000	\$ 3,758,000	\$ 11,273,000

The District records the amount due September 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2018

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending August 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 670,000	\$ 617,000	\$ 1,287,000
2020	685,000	596,900	1,281,900
2021	710,000	571,400	1,281,400
2022	735,000	544,950	1,279,950
2023	760,000	517,550	1,277,550
2024	790,000	489,200	1,279,200
2025	825,000	457,600	1,282,600
2026	855,000	424,600	1,279,600
2027	885,000	390,400	1,275,400
2028	925,000	355,000	1,280,000
2029	965,000	318,000	1,283,000
2030	1,000,000	279,400	1,279,400
2031	1,040,000	239,400	1,279,400
2032	1,160,000	197,800	1,357,800
2033	1,210,000	151,400	1,361,400
2034	1,260,000	103,000	1,363,000
2035	1,315,000	52,600	1,367,600
	<u>\$ 15,790,000</u>	<u>\$ 6,306,200</u>	<u>\$ 22,096,200</u>

The District records the amount due September 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED AUGUST 31, 2018

Description	Original Bonds Issued	Bonds Outstanding September 1, 2017
Harris County Municipal Utility District No. 304 Unlimited Tax Refunding Bonds - Series 2012	\$ 9,605,000	\$ 8,735,000
Harris County Municipal Utility District No. 304 Unlimited Tax Refunding Bonds - Series 2016	<u>8,030,000</u>	<u>7,700,000</u>
TOTAL	<u><u>\$ 17,635,000</u></u>	<u><u>\$ 16,435,000</u></u>
Bond Authority:	<u>Utility Bonds</u>	<u>Refunding Bonds</u>
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><u>\$ 8,101,760</u></u>	<u><u>\$ 29,272,627</u></u>

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>			
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding August 31, 2018</u>
	<u>Principal</u>	<u>Interest</u>	
\$	\$ 460,000	\$ 340,000	\$ 8,275,000
	<u>185,000</u>	<u>294,500</u>	<u>7,515,000</u>
<u>\$ - 0 -</u>	<u>\$ 645,000</u>	<u>\$ 634,500</u>	<u>\$ 15,790,000</u>

The Bank of New York
Mellon Trust Company, N.A.
Dallas, TX

The Bank of New York
Mellon Trust Company, N.A.
Dallas, TX

Debt Service Fund cash and investment balances as of August 31, 2018:	<u>\$ 1,342,414</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 1,299,776</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 763,839	\$ 614,280	\$ 516,375
Water Service	684,119	651,203	518,230
Wastewater Service	733,119	666,513	608,022
Water Authority Fees	515,637	442,638	373,921
Penalty and Interest	57,243	53,000	54,805
Tap Connection and Inspection Fees	248,435	127,399	62,490
Miscellaneous Revenues	104,236	75,807	62,465
TOTAL REVENUES	\$ 3,106,628	\$ 2,630,840	\$ 2,196,308
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 158,855	\$ 167,389	\$ 171,962
Contracted Services	182,838	176,446	114,037
Utilities	102,321	103,381	132,525
Water Authority Costs	573,244	478,430	432,162
Repairs and Maintenance	294,052	384,654	319,323
Other	497,104	379,050	401,763
Capital Outlay	158,118	1,697,109	331,762
TOTAL EXPENDITURES	\$ 1,966,532	\$ 3,386,459	\$ 1,903,534
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,140,096	\$ (755,619)	\$ 292,774
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 550	\$	\$ (256,062)
Developer Contributions			150,000
TOTAL OTHER FINANCING SOURCES (USES)	\$ 550	\$ - 0 -	\$ (106,062)
NET CHANGE IN FUND BALANCE	\$ 1,140,646	\$ (755,619)	\$ 186,712
BEGINNING FUND BALANCE	4,323,469	5,079,088	4,892,376
ENDING FUND BALANCE	\$ 5,464,115	\$ 4,323,469	\$ 5,079,088

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 171,296	\$ 159,653	24.6 %	23.4 %	23.6 %	9.9 %	8.6 %
492,538	464,210	22.0	24.8	23.6	28.5	24.9
588,358	582,721	23.6	25.3	27.7	34.0	31.2
295,496	239,556	16.6	16.8	17.0	17.1	12.9
55,605	51,509	1.8	2.0	2.5	3.2	2.8
70,071	50,875	8.0	4.8	2.8	4.1	2.7
55,947	315,254	3.4	2.9	2.8	3.2	16.9
<u>\$ 1,729,311</u>	<u>\$ 1,863,778</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 162,255	\$ 108,346	5.1 %	6.4 %	7.8 %	9.4 %	5.8 %
98,203	83,296	5.9	6.7	5.2	5.7	4.5
118,706	126,572	3.3	3.9	6.0	6.9	6.8
382,429	269,072	18.5	18.2	19.7	22.1	14.4
407,617	245,089	9.5	14.6	14.5	23.6	13.2
369,567	305,296	16.0	14.4	18.3	21.4	16.4
179,039	47,016	5.1	64.5	15.1	10.4	2.5
<u>\$ 1,717,816</u>	<u>\$ 1,184,687</u>	<u>63.4 %</u>	<u>128.7 %</u>	<u>86.6 %</u>	<u>99.5 %</u>	<u>63.6 %</u>
\$ 11,495	\$ 679,091	36.6 %	(28.7) %	13.4 %	0.5 %	36.4 %
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 11,495	\$ 679,091					
4,880,881	4,201,790					
<u>\$ 4,892,376</u>	<u>\$ 4,880,881</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 1,272,913	\$ 1,162,555	\$ 1,091,504
Penalty and Interest	17,682	15,145	9,279
Miscellaneous Revenues	<u>30,405</u>	<u>10,808</u>	<u>7,022</u>
TOTAL REVENUES	<u>\$ 1,321,000</u>	<u>\$ 1,188,508</u>	<u>\$ 1,107,805</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 66,286	\$ 55,403	\$ 54,364
Debt Service Principal	645,000	495,000	490,000
Debt Service Interest and Fees	635,750	648,800	525,214
Payment to Refunding Escrow Agent			11,000
Bond Issuance Costs			<u>338,847</u>
TOTAL EXPENDITURES	<u>\$ 1,347,036</u>	<u>\$ 1,199,203</u>	<u>\$ 1,419,425</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (26,036)</u>	<u>\$ (10,695)</u>	<u>\$ (311,620)</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$	\$ 8,030,000
Payment to Refunding Escrow Agent			(8,164,604)
Bond Premium			<u>479,088</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 344,484</u>
NET CHANGE IN FUND BALANCE	\$ (26,036)	\$ (10,695)	\$ 32,864
BEGINNING FUND BALANCE	<u>1,362,523</u>	<u>1,373,218</u>	<u>1,340,354</u>
ENDING FUND BALANCE	<u>\$ 1,336,487</u>	<u>\$ 1,362,523</u>	<u>\$ 1,373,218</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,673</u>	<u>1,567</u>	<u>1,432</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,582</u>	<u>1,465</u>	<u>1,410</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 1,283,880	\$ 1,270,586	96.4 %	97.8 %	98.6 %	98.1 %	98.6 %
10,276	13,161	1.3	1.3	0.8	0.8	1.0
14,800	4,776	2.3	0.9	0.6	1.1	0.4
<u>\$ 1,308,956</u>	<u>\$ 1,288,523</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 56,094	\$ 43,718	5.0 %	4.7 %	4.9 %	4.3 %	3.4 %
330,000	715,000	48.8	41.6	44.2	25.2	55.5
773,519	792,427	48.1	54.6	47.4	59.1	61.5
				1.0		
				30.6		
<u>\$ 1,159,613</u>	<u>\$ 1,551,145</u>	<u>101.9 %</u>	<u>100.9 %</u>	<u>128.1 %</u>	<u>88.6 %</u>	<u>120.4 %</u>
\$ 149,343	\$ (262,622)	(1.9) %	(0.9) %	(28.1) %	11.4 %	(20.4) %
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 149,343	\$ (262,622)					
1,191,011	1,453,633					
<u>\$ 1,340,354</u>	<u>\$ 1,191,011</u>					
1,392	1,353					
<u>1,374</u>	<u>1,338</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2018

District Mailing Address - Harris County Municipal Utility District No. 304
c/o Schwartz Page & Harding, L.L.P.
1300 Post Oak Blvd., Suite 1400
Houston, TX 77056-3012

District Telephone Number - (713) 623-4531

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended August 31, 2018	Expense Reimbursements for the year ended August 31, 2018	Title
Jonathan Ward	05/16- 05/20 (Elected)	\$ 6,300	\$ 7,739	President/ General Manager
Leonard Cummings, Jr.	05/16- 05/20 (Elected)	\$ 7,200	\$ 22,024	Vice President/ General Manager
Elvis Anderson	05/18- 05/22 (Elected)	\$ 7,200	\$ 7,436	Secretary
Debra Williams	05/18- 05/22 (Elected)	\$ 2,400	\$ 4,798	Assistant Secretary
Ann-Toinette Johnson Preston	05/16- 05/20 (Elected)	\$ 150	\$ 22	Director
Herbert H. Harris, Jr.	05/14- 05/18	\$ 1,950	\$ 904	Former Director

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): May 17, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2018

	<u>Date Hired</u>	<u>Fees for the year ended August 31, 2018</u>	<u>Title</u>
Employees:			
Jonathan Ward	02/24/16	\$ 21,500	Co-General Manager
Leonard Cummings, Jr.	02/24/16	\$ 21,500	Co-General Manager
Consultants:			
Schwartz Page & Harding, L.L.P.	07/22/85	\$ 148,535	General Counsel/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	11/03/10	\$ 16,500	Audit and Other Services
Municipal Accounts & Consulting, L.P.	07/22/85	\$ 44,481	Bookkeeper
Ted A. Cox, P.C.	Prior to 09/01/01	\$ 4,961	Delinquent Tax Attorney
Edminster Hinshaw Russ & Associates, Inc.	08/20/15	\$ 96,734	Engineer
Rathmann & Associates, L.P.	04/24/03	\$ -0-	Financial Advisor
JePa Services, Inc.	03/06/12	\$ 301,784	Operator
Wheeler and Associates	08/29/85	\$ 42,571	Tax Assessor/ Collector

See accompanying independent auditor's report.

