

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

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**AUGUST 31, 2017**



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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, 2017, 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, 2017, 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.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2017**

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, 2017. 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 portion of these statements provides 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 presents information that includes all of 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 as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of 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, 2017**

**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, liabilities exceeded assets and deferred outflows of resources by \$1,087,006 as of August 31, 2017. 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, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 6,493,055	\$ 7,190,118	\$ (697,063)
Capital Assets (Net of Accumulated Depreciation)	9,779,084	10,026,410	(247,326)
Total Assets	\$ 16,272,139	\$ 17,216,528	\$ (944,389)
Deferred Outflows of Resources	\$ 331,626	\$ 344,158	\$ (12,532)
Bonds Payable	\$ 17,037,898	\$ 17,568,525	\$ 530,627
Other Liabilities	652,873	585,926	(66,947)
Total Liabilities	\$ 17,690,771	\$ 18,154,451	\$ 463,680
Net Investment in Capital Assets	\$ (6,906,674)	\$ (7,178,821)	\$ 272,147
Restricted	1,436,493	1,445,892	(9,399)
Unrestricted	4,383,175	5,139,164	(755,989)
Total Net Position	\$ (1,087,006)	\$ (593,765)	\$ (493,241)

The following table provides a summary of the District's operations for the years ended August 31, 2017, and August 31, 2016.

	Summary of Changes in the Statement of Activities		
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,777,048	\$ 1,615,353	\$ 161,695
Charges for Services	1,958,459	1,631,122	327,337
Other Revenues	88,065	221,551	(133,486)
Total Revenues	\$ 3,823,572	\$ 3,468,026	\$ 355,546
Expenses for Services	4,316,813	2,737,456	(1,579,357)
Change in Net Position	\$ (493,241)	\$ 730,570	\$ (1,223,811)
Net Position, Beginning of Year	(593,765)	(1,324,335)	730,570
Net Position, End of Year	\$ (1,087,006)	\$ (593,765)	\$ (493,241)

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of August 31, 2017, were \$5,900,305, a decrease of \$764,936 from the prior year.

The General Fund fund balance decreased by \$755,619, primarily due to operating and capital expenditures exceeding service and tax revenues.

The Debt Service Fund fund balance decreased by \$10,695, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$1,378.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$379,390 more than budgeted revenues primarily due to higher than anticipated service and property tax revenues. Actual expenditures were \$1,135,819 more than budgeted expenditures primarily due to higher than anticipated capital outlay.

**CAPITAL ASSETS**

Capital assets as of August 31, 2017, total \$9,779,084 (net of accumulated depreciation) and include land, water and wastewater systems, and recreational facilities.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,461,721	\$ 2,461,721	\$
Construction in Progress	195,164	176,532	18,632
Capital Assets, Net of Accumulated Depreciation:			
Recreational Facilities	1,061,562	1,130,891	(69,329)
Water System	2,520,329	2,358,545	161,784
Wastewater System	3,540,308	3,113,152	427,156
Drainage System	<u>785,569</u>	<u>785,569</u>	<u>(785,569)</u>
Total Net Capital Assets	<u>\$ 9,779,084</u>	<u>\$ 10,026,410</u>	<u>\$ (247,326)</u>

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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**LONG-TERM DEBT ACTIVITY**

At year end, the District had total bond debt payable of \$16,435,000. The changes in the debt position of the District during the fiscal year ended August 31, 2017, are summarized as follows:

Bond Debt Payable, September 1, 2016	\$ 16,930,000
Less: Bond Principal Paid	<u>495,000</u>
Bond Debt Payable, August 31, 2017	<u>\$ 16,435,000</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, 2017, 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, 2017**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 581,931	\$ 103,828
Investments	3,981,703	1,267,588
Receivables:		
Property Taxes	10,814	44,382
Penalty and Interest on Delinquent Taxes		
Service Accounts	188,091	
Accrued Interest	10,223	2,518
Due from Other Funds	6,504	
Prepaid Costs	4,270	
Advance for Regional Water Authority	4,914	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 4,788,450</b>	<b>\$ 1,418,316</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunded Bonds	\$ - 0 -	\$ - 0 -
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,788,450</b>	<b>\$ 1,418,316</b>

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>
\$ 550	\$ 686,309	\$	\$ 686,309
213,763	5,463,054		5,463,054
	55,196		55,196
		29,588	29,588
	188,091		188,091
	12,741		12,741
	6,504	(6,504)	
	4,270	48,892	53,162
	4,914		4,914
		2,461,721	2,461,721
		195,164	195,164
		7,122,199	7,122,199
<u>\$ 214,313</u>	<u>\$ 6,421,079</u>	<u>\$ 9,851,060</u>	<u>\$ 16,272,139</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 331,626</u>	<u>\$ 331,626</u>
<u>\$ 214,313</u>	<u>\$ 6,421,079</u>	<u>\$ 10,182,686</u>	<u>\$ 16,603,765</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, 2017**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 162,409	\$
Due to Developer		
Due to Other Funds		6,504
Due to Taxpayers		4,907
Security Deposits	268,958	
Unearned Tap Revenue	22,800	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 454,167</b>	<b>\$ 11,411</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 10,814	\$ 44,382
 <b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 4,270	\$
Advance For Regional Water Authority	4,914	
Restricted for Authorized Construction		
Restricted for Debt Service		1,362,523
Committed for Construction of Trail System	510,093	
Unassigned	3,804,192	
<b>TOTAL FUND BALANCES</b>	<b>\$ 4,323,469</b>	<b>\$ 1,362,523</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,788,450</b>	<b>\$ 1,418,316</b>
 <b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 162,409	\$	\$ 162,409
		193,799	193,799
	6,504	(6,504)	
	4,907		4,907
	268,958		268,958
	22,800		22,800
		645,000	645,000
		16,392,898	16,392,898
<u>\$ -0-</u>	<u>\$ 465,578</u>	<u>\$ 17,225,193</u>	<u>\$ 17,690,771</u>
<u>\$ -0-</u>	<u>\$ 55,196</u>	<u>\$ (55,196)</u>	<u>\$ -0-</u>
\$	\$ 4,270	\$ (4,270)	\$
	4,914	(4,914)	
214,313	214,313	(214,313)	
	1,362,523	(1,362,523)	
	510,093	(510,093)	
	3,804,192	(3,804,192)	
<u>\$ 214,313</u>	<u>\$ 5,900,305</u>	<u>\$ (5,900,305)</u>	<u>\$ - 0 -</u>
<u>\$ 214,313</u>	<u>\$ 6,421,079</u>		
		\$ (6,906,674)	\$ (6,906,674)
		1,436,493	1,436,493
		4,383,175	4,383,175
		<u>\$ (1,087,006)</u>	<u>\$ (1,087,006)</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, 2017**

Total Fund Balances - Governmental Funds \$ 5,900,305

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. 331,626

Prepaid bond insurance in governmental activities is not a current financial resource and, therefore, is not reported as an asset in the governmental funds. 48,892

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 9,779,084

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2016 and prior tax levies became part of recognized revenue in the governmental activities of the District. 84,784

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	\$ (193,799)	
Bonds Payable	<u>(17,037,898)</u>	<u>(17,231,697)</u>
Total Net Position - Governmental Activities		<u>\$ (1,087,006)</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, 2017**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>		
Property Taxes	\$ 614,280	\$ 1,162,555
Water Service	651,203	
Wastewater Service	666,513	
Water Authority Fees	442,638	
Penalty and Interest	53,000	15,145
Tap Connection and Inspection Fees	127,399	
Miscellaneous Revenues	75,807	10,808
<b>TOTAL REVENUES</b>	<u>\$ 2,630,840</u>	<u>\$ 1,188,508</u>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 167,389	\$ 3,095
Contracted Services	176,446	47,255
Utilities	103,381	
Water Authority Costs	478,430	
Repairs and Maintenance	384,654	
Depreciation		
Other	379,050	6,303
Capital Outlay	1,697,109	
Conveyance of Assets		
Debt Service:		
Bond Principal		495,000
Bond Interest		647,550
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 3,386,459</u>	<u>\$ 1,199,203</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ (755,619)	\$ (10,695)
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - SEPTEMBER 1, 2016</b>	<u>5,079,088</u>	<u>1,373,218</u>
<b>FUND BALANCES/NET POSITION - AUGUST 31, 2017</b>	<u>\$ 4,323,469</u>	<u>\$ 1,362,523</u>

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 Activities</u>
\$	\$ 1,776,835	\$ 213	\$ 1,777,048
	651,203		651,203
	666,513		666,513
	442,638		442,638
	68,145	2,561	70,706
	127,399		127,399
1,450	88,065		88,065
<u>\$ 1,450</u>	<u>\$ 3,820,798</u>	<u>\$ 2,774</u>	<u>\$ 3,823,572</u>
\$	\$ 170,484	\$	\$ 170,484
	223,701		223,701
	103,381		103,381
	478,430		478,430
	384,654		384,654
		317,778	317,778
72	385,425		385,425
	1,697,109	(1,697,109)	
		1,626,657	1,626,657
	495,000	(495,000)	
	647,550	(21,247)	626,303
<u>\$ 72</u>	<u>\$ 4,585,734</u>	<u>\$ (268,921)</u>	<u>\$ 4,316,813</u>
\$ 1,378	\$ (764,936)	\$ 764,936	\$
		(493,241)	(493,241)
212,935	6,665,241	(7,259,006)	(593,765)
<u>\$ 214,313</u>	<u>\$ 5,900,305</u>	<u>\$ (6,987,311)</u>	<u>\$ (1,087,006)</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, 2017**

Net Change in Fund Balances - Governmental Funds \$ (764,936)

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. 213

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. 2,561

Governmental funds do not account for depreciation. However, depreciation expense is recorded in the Statement of Activities. (317,778)

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. 70,452

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. 495,000

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. 21,247

Change in Net Position - Governmental Activities \$ (493,241)

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, 2017**

**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, wastewater service and storm sewer drainage 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 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, 2017**

**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, 2017**

**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, 2017, the Debt Service Fund owed the General Fund \$6,504 for maintenance tax collections.

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, 2017**

**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 to be “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, 2017**

**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 has committed \$510,093 of its General Fund fund balance for the construction of District-wide walking trails.

*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 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, 2017**

**NOTE 3. LONG-TERM DEBT**

The following is a summary of transactions regarding bonds payable for the year ended August 31, 2017:

	September 1, 2016	Additions	Retirements	August 31, 2017
Bonds Payable	\$ 16,930,000	\$	\$ 495,000	\$ 16,435,000
Unamortized Discounts	(98,330)		(6,661)	(91,669)
Unamortized Premiums	736,855		42,288	694,567
Bonds Payable, Net	<u>\$ 17,568,525</u>	<u>\$ -0-</u>	<u>\$ 530,627</u>	<u>\$ 17,037,898</u>
			Amount Due Within One Year	\$ 645,000
			Amount Due After One Year	16,392,898
			Bonds Payable, Net	<u>\$ 17,037,898</u>

	Refunding Series 2012	Refunding Series 2016
Amount Outstanding - August 31, 2017	\$ 8,735,000	\$ 7,700,000
Interest Rates	3.00% – 4.00%	2.00% – 4.00%
Maturity Dates-Beginning/Ending	September 1, 2018/2031	September 1, 2018/2035
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, 2017, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 645,000	\$ 634,500	\$ 1,279,500
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
2023-2027	4,115,000	2,279,350	6,394,350
2028-2032	5,090,000	1,389,600	6,479,600
2033-2035	3,785,000	307,000	4,092,000
	<u>\$ 16,435,000</u>	<u>\$ 6,940,700</u>	<u>\$ 23,375,700</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**NOTE 3. LONG-TERM DEBT (Continued)**

As of August 31, 2017, 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 2016 tax year, the District levied an ad valorem debt service tax rate of \$0.53 per \$100 of assessed valuation, which resulted in a tax levy of \$1,171,094 on the adjusted taxable valuation of \$220,962,225. 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, 2017**

**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 \$5,451,309 and the bank balance was \$5,309,586. 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, 2017, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 581,931	\$ 3,515,000	\$ 4,096,931
DEBT SERVICE FUND	103,828	1,250,000	1,353,828
CAPITAL PROJECTS FUND	550		550
<b>TOTAL DEPOSITS</b>	<b>\$ 686,309</b>	<b>\$ 4,765,000</b>	<b>\$ 5,451,309</b>

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.

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. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain 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'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, 2017, 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	\$ 466,703	\$ 466,703
Certificates of Deposit	3,515,000	3,515,000
<u>DEBT SERVICE FUND</u>		
TexPool	17,588	17,588
Certificates of Deposit	1,250,000	1,250,000
<u>CAPITAL PROJECTS FUND</u>		
TexPool	213,763	213,763
<b>TOTAL INVESTMENTS</b>	<b>\$5,463,054</b>	<b>\$ 5,463,054</b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2017, 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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

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.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2017, is as follows:

	September 1, 2016	Increases	Decreases	August 31, 2017
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 2,461,721	\$	\$	\$ 2,461,721
Construction in Progress	176,532	856,021	837,389	195,164
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 2,638,253</u>	<u>\$ 856,021</u>	<u>\$ 837,389</u>	<u>\$ 2,656,885</u>
<b>Capital Assets Subject to Depreciation</b>				
Recreational Facilities	\$ 1,476,327	\$	\$	\$ 1,476,327
Water System	3,859,524	279,110		4,138,634
Wastewater System	5,506,553	558,279		6,064,832
Drainage System	793,345		793,345	
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 11,635,749</u>	<u>\$ 837,389</u>	<u>\$ 793,345</u>	<u>\$ 11,679,793</u>
<b>Less Accumulated Depreciation</b>				
Recreational Facilities	\$ 345,436	\$ 69,329	\$	\$ 414,765
Water System	1,500,979	117,326		1,618,305
Wastewater System	2,393,401	131,123		2,524,524
Drainage System	7,776		7,776	
<b>Total Accumulated Depreciation</b>	<u>\$ 4,247,592</u>	<u>\$ 317,778</u>	<u>\$ 7,776</u>	<u>\$ 4,557,594</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 7,388,157</u>	<u>\$ 519,611</u>	<u>\$ 785,569</u>	<u>\$ 7,122,199</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 10,026,410</u>	<u>\$ 1,375,632</u>	<u>\$ 1,622,958</u>	<u>\$ 9,779,084</u>

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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**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 \$0.28 per \$100 of assessed valuation, which resulted in a tax levy of \$618,691 on the adjusted taxable valuation of \$220,962,225 for the 2016 tax year.

**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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

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

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 79<sup>th</sup> 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 \$2.51 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$478,430 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. The District will pay the estimated construction costs to the Authority within 45 days of receipt of the invoice. 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. As an alternative to lump-sum reimbursement, the Authority will have the option to reimburse the District in equal monthly installments or authorize credit for monthly fees, rates or charges, beginning no later than January 2018. 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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**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, \$193,799 has been recorded as of August 31, 2017.

Per Commission Order dated July 21, 2017, the District received approval to use \$1,673,697 from surplus operating and maintenance tax funds to reimburse the developer for water, wastewater and drainage facilities serving Silverglen North, Sections 11 and 12, along with related engineering fees and developer interest. During the current year, the District used the \$1,673,697 along with \$4,781 contributed from the General Fund to reimburse the Developer.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**AUGUST 31, 2017**





**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, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 564,000	\$ 614,280	\$ 50,280
Water Service	538,700	651,203	112,503
Wastewater Service	633,200	666,513	33,313
Water Authority Fees	362,500	442,638	80,138
Penalty and Interest	54,000	53,000	(1,000)
Tap Connection and Inspection Fees	48,750	127,399	78,649
Miscellaneous Revenues	50,300	75,807	25,507
<b>TOTAL REVENUES</b>	<b>\$ 2,251,450</b>	<b>\$ 2,630,840</b>	<b>\$ 379,390</b>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 160,200	\$ 167,389	\$ (7,189)
Contracted Services	138,800	176,446	(37,646)
Utilities	123,250	103,381	19,869
Water Authority Costs	427,000	478,430	(51,430)
Repairs and Maintenance	341,500	384,654	(43,154)
Other	472,890	379,050	93,840
Capital Outlay	587,000	1,697,109	(1,110,109)
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,250,640</b>	<b>\$ 3,386,459</b>	<b>\$ (1,135,819)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 810</b>	<b>\$ (755,619)</b>	<b>\$ (756,429)</b>
<b>FUND BALANCE - SEPTEMBER 1, 2016</b>	<b>5,079,088</b>	<b>5,079,088</b>	
<b>FUND BALANCE - AUGUST 31, 2017</b>	<b>\$ 5,079,898</b>	<b>\$ 4,323,469</b>	<b>\$ (756,429)</b>

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, 2017**



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**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 January 19, 2017.

	<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:					
Regional Water Authority Fees	\$ 2.74	Per 1,000 gallons			
District employs winter averaging for wastewater usage?					<u>      </u> <u>  X  </u> Yes      No

Total charges per 10,000 gallons usage: Water: \$25.80 Wastewater: \$33.00 Surcharge: \$27.40 Total: \$86.20

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**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"	1,548	1,541	x 1.0	1,541
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>1,574</u>	<u>1,567</u>		<u>1,908</u>
Total Wastewater Connections	<u>1,472</u>	<u>1,465</u>	x 1.0	<u>1,465</u>

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

Gallons pumped into system: 193,763,000      Water Accountability Ratio: 95.4%  
(Gallons billed/Gallons pumped)

Gallons billed to customers: 184,821,000

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**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, 2017**

PROFESSIONAL FEES:	
Auditing	\$ 15,350
Engineering	42,788
Legal	<u>109,251</u>
TOTAL PROFESSIONAL FEES	<u>\$ 167,389</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 29,881
Operations and Billing	73,941
General Managers	<u>39,995</u>
TOTAL CONTRACTED SERVICES	<u>\$ 143,817</u>
UTILITIES:	
Electricity	\$ 98,865
Telephone	<u>4,516</u>
TOTAL UTILITIES	<u>\$ 103,381</u>
REPAIRS AND MAINTENANCE	<u>\$ 384,654</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 27,900
Insurance	17,115
Office Supplies and Postage	29,680
Payroll Taxes	6,483
Travel and Meetings	83,993
Other	<u>40,359</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 205,530</u>

See accompanying independent auditor's report.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

CAPITAL OUTLAY	\$ <u>1,697,109</u>
TAP CONNECTIONS	\$ <u>28,975</u>
SECURITY	\$ <u>32,629</u>
OTHER EXPENDITURES:	
Chemicals	\$ 21,614
Laboratory Fees	8,421
Permit Fees	7,159
Reconnection Fees	4,190
Inspection Fees	29,725
Water Authority Costs	478,430
Regulatory Assessment	6,423
Sludge Hauling	<u>67,013</u>
TOTAL OTHER EXPENDITURES	\$ <u>622,975</u>
TOTAL EXPENDITURES	\$ <u><u>3,386,459</u></u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**INVESTMENTS**  
**AUGUST 31, 2017**

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	\$ 466,703	\$
Certificate of Deposit	XXXX9691	0.60%	01/03/18	240,000	947
Certificate of Deposit	XXXX5840	1.28%	07/18/18	240,000	370
Certificate of Deposit	XXXX1552	0.50%	12/02/17	240,000	894
Certificate of Deposit	XXXX1843	0.85%	06/09/18	240,000	464
Certificate of Deposit	XXXX1624	1.10%	08/24/18	240,000	43
Certificate of Deposit	XXXX3939	0.90%	10/25/17	240,000	1,834
Certificate of Deposit	XXXX6106	0.62%	05/18/18	245,000	437
Certificate of Deposit	XXXX4634	0.50%	11/10/17	240,000	967
Certificate of Deposit	XXXX8516	0.40%	03/11/18	240,000	455
Certificate of Deposit	XXXX0344	0.50%	09/07/17	150,000	736
Certificate of Deposit	XXXX6255	0.50%	02/24/18	240,000	618
Certificate of Deposit	XXXX2952	1.25%	07/22/18	240,000	304
Certificate of Deposit	XXXX7278	0.50%	03/09/18	240,000	572
Certificate of Deposit	XXXX8264	0.50%	03/11/18	240,000	569
Certificate of Deposit	XXXX7747	0.50%	10/27/17	<u>240,000</u>	<u>1,013</u>
TOTAL GENERAL FUND				<u>\$ 3,981,703</u>	<u>\$ 10,223</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 17,588	\$
Certificate of Deposit	XXXX8841	0.75%	03/01/18	240,000	902
Certificate of Deposit	XXXX3232	0.51%	03/02/18	110,000	280
Certificate of Deposit	XXXX3890	0.50%	02/16/18	240,000	635
Certificate of Deposit	XXXX5398	0.90%	08/25/18	220,000	32
Certificate of Deposit	XXXX6746	1.00%	08/20/18	200,000	55
Certificate of Deposit	XXXX3949	0.51%	03/01/18	<u>240,000</u>	<u>614</u>
TOTAL DEBT SERVICE FUND				<u>\$ 1,267,588</u>	<u>\$ 2,518</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0003	Varies	Daily	<u>\$ 213,763</u>	<u>\$ -0-</u>
TOTAL				<u>\$ 5,463,054</u>	<u>\$ 12,741</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
SEPTEMBER 1, 2016	\$	9,336		\$ 45,647
Adjustments to Beginning				
Balance		<u>(2,933)</u>	\$ 6,403	<u>(9,804)</u> \$ 35,843
Original 2016 Tax Levy	\$	554,359		\$ 1,049,322
Adjustment to 2016 Tax Levy		<u>64,332</u>	<u>618,691</u>	<u>121,772</u> <u>1,171,094</u>
TOTAL TO BE				
ACCOUNTED FOR			\$ 625,094	\$ 1,206,937
TAX COLLECTIONS:				
Prior Years	\$	(4)		\$ (197)
Current Year		<u>614,284</u>	<u>614,280</u>	<u>1,162,752</u> <u>1,162,555</u>
TAXES RECEIVABLE -				
AUGUST 31, 2017			<u>\$ 10,814</u>	<u>\$ 44,382</u>
TAXES RECEIVABLE BY				
YEAR:				
2016			\$ 4,407	\$ 8,342
2015			1,929	4,080
2014			404	3,028
2013			377	3,017
2012			862	2,242
2011 and Prior			<u>2,835</u>	<u>23,673</u>
TOTAL			<u>\$ 10,814</u>	<u>\$ 44,382</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 57,687,764	\$ 56,295,257	\$ 53,960,125	\$ 52,277,752
Improvements	215,753,063	196,023,926	167,986,446	155,275,281
Personal Property	5,275,272	5,539,783	4,993,192	5,295,336
Exemptions	<u>(57,753,874)</u>	<u>(57,636,225)</u>	<u>(55,211,948)</u>	<u>(53,590,476)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u>\$ 220,962,225</u>	<u>\$ 200,222,741</u>	<u>\$ 171,727,815</u>	<u>\$ 159,257,893</u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.53	\$ 0.55	\$ 0.75	\$ 0.80
Maintenance	<u>0.28</u>	<u>0.26</u>	<u>0.10</u>	<u>0.10</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u>\$ 0.81</u>	<u>\$ 0.81</u>	<u>\$ 0.85</u>	<u>\$ 0.90</u>
<b>ADJUSTED TAX LEVY*</b>	<u>\$ 1,789,785</u>	<u>\$ 1,621,796</u>	<u>\$ 1,459,679</u>	<u>\$ 1,433,165</u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u>99.29 %</u>	<u>99.63 %</u>	<u>99.76 %</u>	<u>99.76 %</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, 2017**

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
2018	\$ 460,000	\$ 340,000	\$ 800,000
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			
	\$ 8,735,000	\$ 2,888,200	\$ 11,623,200

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, 2017**

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
2018	\$ 185,000	\$ 294,500	\$ 479,500
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
	\$ 7,700,000	\$ 4,052,500	\$ 11,752,500

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, 2017**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending August 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 645,000	\$ 634,500	\$ 1,279,500
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>\$ 16,435,000</u>	<u>\$ 6,940,700</u>	<u>\$ 23,375,700</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, 2017**

Description	Original Bonds Issued	Bonds Outstanding September 1, 2016
Harris County Municipal Utility District No. 304 Unlimited Tax Refunding Bonds - Series 2012	\$ 9,605,000	\$ 9,050,000
Harris County Municipal Utility District No. 304 Unlimited Tax Refunding Bonds - Series 2016	<u>8,030,000</u>	<u>7,880,000</u>
<b>TOTAL</b>	<u><u>\$ 17,635,000</u></u>	<u><u>\$ 16,930,000</u></u>
<b>Bond Authority:</b>	<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 rate, interest payment dates and maturity dates.

See accompanying independent auditor's report.



Current Year Transactions			
Bonds Sold	Retirements		Bonds Outstanding August 31, 2017
	Principal	Interest	
\$	\$ 315,000	\$ 349,450	\$ 8,735,000
	<u>180,000</u>	<u>298,100</u>	<u>7,700,000</u>
<u>\$ - 0 -</u>	<u>\$ 495,000</u>	<u>\$ 647,550</u>	<u>\$ 16,435,000</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, 2017:	<u>\$ 1,371,416</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 1,298,650</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		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 614,280	\$ 516,375	\$ 171,296
Water Service	651,203	518,230	492,538
Wastewater Service	666,513	608,022	588,358
Water Authority Fees	442,638	373,921	295,496
Penalty and Interest	53,000	54,805	55,605
Tap Connection and Inspection Fees	127,399	62,490	70,071
Miscellaneous Revenues	75,807	62,465	55,947
<b>TOTAL REVENUES</b>	<b>\$ 2,630,840</b>	<b>\$ 2,196,308</b>	<b>\$ 1,729,311</b>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 167,389	\$ 171,962	\$ 162,255
Contracted Services	176,446	114,037	98,203
Utilities	103,381	132,525	118,706
Water Authority Costs	478,430	432,162	382,429
Repairs and Maintenance	384,654	319,323	407,617
Other	379,050	401,763	369,567
Capital Outlay	1,697,109	331,762	179,039
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,386,459</b>	<b>\$ 1,903,534</b>	<b>\$ 1,717,816</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (755,619)</b>	<b>\$ 292,774</b>	<b>\$ 11,495</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$	\$ (256,062)	\$
Developer Contributions		150,000	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ - 0 -</b>	<b>\$ (106,062)</b>	<b>\$ - 0 -</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (755,619)</b>	<b>\$ 186,712</b>	<b>\$ 11,495</b>
<b>BEGINNING FUND BALANCE</b>	<b>5,079,088</b>	<b>4,892,376</b>	<b>4,880,881</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 4,323,469</b>	<b>\$ 5,079,088</b>	<b>\$ 4,892,376</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 159,653	\$ 393,317	23.4 %	23.6 %	9.9 %	8.6 %	21.4 %
464,210	528,569	24.8	23.6	28.5	24.9	28.7
582,721	555,757	25.3	27.7	34.0	31.2	30.2
239,556	230,066	16.8	17.0	17.1	12.9	12.5
51,509	38,438	2.0	2.5	3.2	2.8	2.1
50,875	39,125	4.8	2.8	4.1	2.7	2.1
315,254	54,928	2.9	2.8	3.2	16.9	3.0
<u>\$ 1,863,778</u>	<u>\$ 1,840,200</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 108,346	\$ 113,762	6.4 %	7.8 %	9.4 %	5.8 %	6.2 %
83,296	87,632	6.7	5.2	5.7	4.5	4.8
126,572	138,787	3.9	6.0	6.9	6.8	7.5
269,072	285,368	18.2	19.7	22.1	14.4	15.5
245,089	256,829	14.6	14.5	23.6	13.2	14.0
305,296	256,432	14.4	18.3	21.4	16.4	13.9
47,016	82,004	64.5	15.1	10.4	2.5	4.5
<u>\$ 1,184,687</u>	<u>\$ 1,220,814</u>	<u>128.7 %</u>	<u>86.6 %</u>	<u>99.5 %</u>	<u>63.6 %</u>	<u>66.4 %</u>
\$ 679,091	\$ 619,386	<u>(28.7) %</u>	<u>13.4 %</u>	<u>0.5 %</u>	<u>36.4 %</u>	<u>33.6 %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 679,091	\$ 619,386					
4,201,790	3,582,404					
<u>\$ 4,880,881</u>	<u>\$ 4,201,790</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		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 1,162,555	\$ 1,091,504	\$ 1,283,880
Penalty and Interest	15,145	9,279	10,276
Miscellaneous Revenues	<u>10,808</u>	<u>7,022</u>	<u>14,800</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,188,508</u>	<u>\$ 1,107,805</u>	<u>\$ 1,308,956</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 55,403	\$ 54,364	\$ 56,094
Debt Service Principal	495,000	490,000	330,000
Debt Service Interest and Fees	648,800	525,214	773,519
Payment to Refunding Escrow Agent		11,000	
Bond Issuance Costs		<u>338,847</u>	
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,199,203</u>	<u>\$ 1,419,425</u>	<u>\$ 1,159,613</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (10,695)</u>	<u>\$ (311,620)</u>	<u>\$ 149,343</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	\$	\$ 8,030,000	\$
Payment to Refunding Escrow Agent		(8,164,604)	
Bond Premium		<u>479,088</u>	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ - 0 -</u>	<u>\$ 344,484</u>	<u>\$ - 0 -</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (10,695)	\$ 32,864	\$ 149,343
<b>BEGINNING FUND BALANCE</b>	<u>1,373,218</u>	<u>1,340,354</u>	<u>1,191,011</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,362,523</u>	<u>\$ 1,373,218</u>	<u>\$ 1,340,354</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>1,567</u>	<u>1,432</u>	<u>1,392</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>1,465</u>	<u>1,410</u>	<u>1,374</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 1,270,586	\$ 1,031,042	97.8 %	98.6 %	98.1 %	98.6 %	97.6 %
13,161	18,900	1.3	0.8	0.8	1.0	1.8
4,776	6,112	0.9	0.6	1.1	0.4	0.6
<u>\$ 1,288,523</u>	<u>\$ 1,056,054</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 43,718	\$ 48,234	4.7 %	4.9 %	4.3 %	3.4 %	4.6 %
715,000	935,000	41.6	44.2	25.2	55.5	88.5
792,427	915,518	54.6	47.4	59.1	61.5	86.7
			1.0			
			30.6			
<u>\$ 1,551,145</u>	<u>\$ 1,898,752</u>	<u>100.9 %</u>	<u>128.1 %</u>	<u>88.6 %</u>	<u>120.4 %</u>	<u>179.8 %</u>
<u>\$ (262,622)</u>	<u>\$ (842,698)</u>	<u>(0.9) %</u>	<u>(28.1) %</u>	<u>11.4 %</u>	<u>(20.4) %</u>	<u>(79.8) %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (262,622)	\$ (842,698)					
1,453,633	2,296,331					
<u>\$ 1,191,011</u>	<u>\$ 1,453,633</u>					
1,353	1,310					
<u>1,338</u>	<u>1,299</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**AUGUST 31, 2017**

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

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended August 31, 2017	Expense Reimbursements for the year ended August 31, 2017	Title
Jonathan Ward	05/16- 05/20 (Elected)	\$ 7,200	\$ 41,076	President/ General Manager
Leonard Cummings, Jr.	05/16- 05/20 (Elected)	\$ 6,900	\$ 11,104	Vice President/ General Manager
Herbert H. Harris, Jr.	05/14- 05/18 (Elected)	\$ 3,600	\$ 9,355	Secretary
Elvis Anderson	05/14- 05/18 (Elected)	\$ 6,900	\$ 8,412	Assistant Secretary
Ann-Toinette Johnson Preston	05/16- 05/20 (Elected)	\$ 3,300	\$ 4,760	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): August 17, 2017.

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, 2017**

	<u>Date Hired</u>	<u>Fees for the year ended August 31, 2017</u>	<u>Title</u>
<b>Employees:</b>			
Jonathan Ward	02/24/16	\$ 21,495	Co-General Manager
Leonard Cummings, Jr.	02/24/16	\$ 21,500	Co-General Manager
<b>Consultants:</b>			
Schwartz Page & Harding, L.L.P.	07/22/85	\$ 115,908	General Counsel/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	11/03/10	\$ 15,350 \$ 4,750	Audit/ AUP Services
Municipal Accounts & Consulting, L.P.	07/22/85	\$ 34,134	Bookkeeper
Ted A. Cox, P.C.	Prior to 09/01/01	\$ 3,095	Delinquent Tax Attorney
Edminster Hinshaw Russ & Associates, Inc.	08/20/15	\$ 50,666	Engineer
Rathmann & Associates, L.P.	04/24/03	\$ -0-	Financial Advisor
JePa Services, Inc.	03/06/12	\$ 257,445	Operator
Barbara Wheeler, CTA, RPA	08/29/85	\$ 36,994	Tax Assessor/ Collector

See accompanying independent auditor's report.

