

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2016

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 368
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. 368 (the "District"), as of and for the year ended May 31, 2016, 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 May 31, 2016, 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 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

September 15, 2016

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2016**

Management's discussion and analysis of Harris County Municipal Utility District No. 368's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended May 31, 2016. 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 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 first of the government-wide statements is the Statement of Net Position. The Statement of Net Position is the District-wide statement of its financial position presenting 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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2016**

FUND FINANCIAL STATEMENTS (Continued)

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.

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 Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in 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"). A 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 by \$1,931,804 as of May 31, 2016. A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities 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. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2016</u>	<u>2015</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 15,313,146	\$ 15,885,139	\$ (571,993)
Capital Assets (Net of Accumulated Depreciation)	<u>39,547,725</u>	<u>39,713,171</u>	<u>(165,446)</u>
Total Assets	<u>\$ 54,860,871</u>	<u>\$ 55,598,310</u>	<u>\$ (737,439)</u>
Deferred Outflows of Resources	<u>\$ 2,082,241</u>	<u>\$ 2,203,091</u>	<u>\$ (120,850)</u>
Due to Developers	\$ 584,477	\$ 172,449	\$ (412,028)
Bonds Payable	56,858,243	58,462,371	1,604,128
Other Liabilities	<u>1,432,196</u>	<u>1,309,054</u>	<u>(123,142)</u>
Total Liabilities	<u>\$ 58,874,916</u>	<u>\$ 59,943,874</u>	<u>\$ 1,068,958</u>
Net Position:			
Net Investment in Capital Assets	\$ (13,994,469)	\$ (14,328,679)	\$ 334,210
Restricted	6,161,158	6,207,055	(45,897)
Unrestricted	<u>5,901,507</u>	<u>5,979,151</u>	<u>(77,644)</u>
Total Net Position	<u>\$ (1,931,804)</u>	<u>\$ (2,142,473)</u>	<u>\$ 210,669</u>

The following table provides a summary of the District's operations for the years ended May 31, 2016, and May 31, 2015.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 4,634,016	\$ 4,470,418	\$ 163,598
Charges for Services	3,707,039	3,607,338	99,701
Other Revenues	<u>293,389</u>	<u>292,945</u>	<u>444</u>
Total Revenues	<u>\$ 8,634,444</u>	<u>\$ 8,370,701</u>	<u>\$ 263,743</u>
Expenses for Services	<u>8,423,775</u>	<u>9,009,477</u>	<u>585,702</u>
Change in Net Position	\$ 210,669	\$ (638,776)	\$ 849,445
Net Position, Beginning of Year	<u>(2,142,473)</u>	<u>(1,503,697)</u>	<u>(638,776)</u>
Net Position, End of Year	<u>\$ (1,931,804)</u>	<u>\$ (2,142,473)</u>	<u>\$ 210,669</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2016, were \$13,432,849, a decrease of \$560,372 from the prior year.

The General Fund fund balance decreased by \$37,816, primarily due to the costs of operating and maintaining the District's systems exceeding tax and operating revenues.

The Debt Service Fund fund balance increased by \$26,002, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$548,558. The District used surplus bond proceeds to reimburse a developer for Willow Falls Sections 4 and 5 costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$189,587 more than budgeted revenues primarily due to property tax and service revenues being more than estimated. Actual expenditures were \$761,910 more than budgeted expenditures, primarily due to capital outlay being more than expected, as well as higher than anticipated costs in most other categories of expenditures.

CAPITAL ASSETS

Capital assets as of May 31, 2016, total \$39,547,725 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems. Significant capital asset activity during the year included Water Distribution and Sanitary Sewer to serve HMT, Willow Falls, Sections 4 and 5 and Ashford Grove East, Section 1. The District also purchased and installed various equipment at the District's plants.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2016	2015	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,572,300	\$ 2,572,300	\$
Construction in Progress	135,397	140,095	(4,698)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	346,541	357,415	(10,874)
Water System	11,912,141	12,230,889	(318,748)
Wastewater System	12,268,768	12,256,477	12,291
Drainage System	12,312,578	12,155,995	156,583
Total Net Capital Assets	\$ 39,547,725	\$ 39,713,171	\$ (165,446)

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2016**

LONG-TERM DEBT ACTIVITY

At year end, the District had total bond debt payable of \$56,130,000. The changes in the debt position of the District during the fiscal year ended May 31, 2016, are summarized as follows:

Bond Debt Payable, June 1, 2015	\$ 57,690,000
Less: Bond Principal Paid	<u>1,560,000</u>
Bond Debt Payable, May 31, 2016	<u>\$ 56,130,000</u>

The District carries an underlying rating of “BBB+”. The Series 2009 Bonds carry an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty Corporation. The Series 2010 and 2012 refunding bonds carry an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2013 Refunding, 2013A Refunding, Series 2015 Refunding and Series 2015A Refunding bonds carry an insured rating of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2014 bonds carry an insured rating of “AA” by virtue of bond insurance issued by Municipal Assurance Corp. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings reflect all rating changes during the fiscal year ended May 31, 2016.

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. 368, c/o Johnson Petrov LLP, 2929 Allen Parkway, Suite 3150, Houston, Texas 77019.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2016

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 696,055	\$ 213,965
Investments	4,747,305	6,437,935
Receivables:		
Property Taxes	11,299	51,280
Penalty and Interest on Delinquent Taxes		
Service Accounts	278,128	
Accrued Interest	8,605	3,178
Other	35,694	
Due from Other Funds	4,500	7,688
Prepaid Costs	82,950	
Regional Water Authority Chloramine Conversion Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 5,864,536	\$ 6,714,046
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,864,536	\$ 6,714,046

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>
\$ 631	\$ 910,651	\$	\$ 910,651
1,822,204	13,007,444		13,007,444
	62,579		62,579
		14,126	14,126
	278,128		278,128
	11,783		11,783
	35,694		35,694
	12,188	(12,188)	
	82,950	481,351	564,301
		428,440	428,440
		2,572,300	2,572,300
		135,397	135,397
		<u>36,840,028</u>	<u>36,840,028</u>
<u>\$ 1,822,835</u>	<u>\$ 14,401,417</u>	<u>\$ 40,459,454</u>	<u>\$ 54,860,871</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,082,241</u>	<u>\$ 2,082,241</u>
<u>\$ 1,822,835</u>	<u>\$ 14,401,417</u>	<u>\$ 42,541,695</u>	<u>\$ 56,943,112</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2016

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 323,011	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	7,688	
Due to Taxpayers		28,619
Security Deposits	542,121	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 872,820	\$ 28,619
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 11,299	\$ 51,280
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 82,950	\$
Restricted for Authorized Construction		
Restricted for Debt Service		6,634,147
Unassigned	4,897,467	
TOTAL FUND BALANCES	\$ 4,980,417	\$ 6,634,147
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,864,536	\$ 6,714,046
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.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 50	\$ 323,061	\$	\$ 323,061
		538,395	538,395
		584,477	584,477
4,500	12,188	(12,188)	
	28,619		28,619
	542,121		542,121
		1,690,000	1,690,000
		55,168,243	55,168,243
<u>\$ 4,550</u>	<u>\$ 905,989</u>	<u>\$ 57,968,927</u>	<u>\$ 58,874,916</u>
<u>\$ -0-</u>	<u>\$ 62,579</u>	<u>\$ (62,579)</u>	<u>\$ -0-</u>
\$	\$ 82,950	\$ (82,950)	\$
1,818,285	1,818,285	(1,818,285)	
	6,634,147	(6,634,147)	
	4,897,467	(4,897,467)	
<u>\$ 1,818,285</u>	<u>\$ 13,432,849</u>	<u>\$ (13,432,849)</u>	<u>\$ - 0 -</u>
<u>\$ 1,822,835</u>	<u>\$ 14,401,417</u>		
		\$ (13,994,469)	\$ (13,994,469)
		6,161,158	6,161,158
		5,901,507	5,901,507
		<u>\$ (1,931,804)</u>	<u>\$ (1,931,804)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2016

Total Fund Balances - Governmental Funds		\$ 13,432,849
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred amounts on refunding bonds are not expenses of the current period.		2,082,241
Prepaid bond insurance is amortized over the repayment period of the bonds in governmental activities.		481,351
Credits due from the North Harris County Regional Water Authority for asset reimbursements are not current financial resources and, therefore, are not reported as assets in the governmental funds.		428,440
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		39,547,725
Governmental funds do not record a long-term liability to the Developer for completed projects. However, in the Statement of Net Position, the liability for completed projects is recorded.		(584,477)
Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2015 and prior tax levies became part of recognized revenue in the governmental activities of the District.		76,705
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:		
Bonds payable	\$ (56,858,243)	
Accrued Interest Payable	<u>(538,395)</u>	<u>(57,396,638)</u>
Total Net Position - Governmental Activities		<u>\$ (1,931,804)</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. 368
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2016

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 881,334	\$ 3,764,990
Water Service	897,916	
Wastewater Service	1,698,150	
Regional Water Authority Fees	880,009	
Penalty and Interest	71,092	28,812
Tap Connection and Inspection Fees	57,100	
Security Revenues	72,790	
Sales Tax Revenues	134,147	
Water Authority Credits	32,905	
Miscellaneous Revenues	98,304	17,142
TOTAL REVENUES	\$ 4,823,747	\$ 3,810,944
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 354,832	\$ 7,342
Contracted Services	1,620,234	90,793
Purchased Water Service	699,081	
Utilities	224,524	
Regional Water Authority Assessment	118,404	
Repairs and Maintenance	876,126	
Depreciation		
Other	510,536	4,356
Capital Outlay	457,826	
Debt Service:		
Bond Issuance Costs		9,000
Bond Principal		1,560,000
Bond Interest		2,113,451
TOTAL EXPENDITURES/EXPENSES	\$ 4,861,563	\$ 3,784,942
NET CHANGE IN FUND BALANCES	\$ (37,816)	\$ 26,002
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JUNE 1, 2015	5,018,233	6,608,145
FUND BALANCES/NET POSITION - MAY 31, 2016	\$ 4,980,417	\$ 6,634,147

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,646,324	\$ (12,308)	\$ 4,634,016
	897,916		897,916
	1,698,150		1,698,150
	880,009		880,009
	99,904	1,170	101,074
	57,100		57,100
	72,790		72,790
	134,147		134,147
	32,905	(6,791)	26,114
17,682	133,128		133,128
<u>\$ 17,682</u>	<u>\$ 8,652,373</u>	<u>\$ (17,929)</u>	<u>\$ 8,634,444</u>
\$	\$ 362,174	\$ 21,104	\$ 383,278
2,817	1,713,844		1,713,844
	699,081		699,081
	224,524		224,524
	118,404		118,404
	876,126		876,126
		1,595,937	1,595,937
4,717	519,609		519,609
558,706	1,016,532	(1,016,532)	
	9,000		9,000
	1,560,000	(1,560,000)	
	2,113,451	170,521	2,283,972
<u>\$ 566,240</u>	<u>\$ 9,212,745</u>	<u>\$ (788,970)</u>	<u>\$ 8,423,775</u>
\$ (548,558)	\$ (560,372)	\$ 560,372	\$
		210,669	210,669
2,366,843	13,993,221	(16,135,694)	(2,142,473)
<u>\$ 1,818,285</u>	<u>\$ 13,432,849</u>	<u>\$ (15,364,653)</u>	<u>\$ (1,931,804)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2016

Net Change in Fund Balances - Governmental Funds	\$ (560,372)
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.	(12,308)
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.	1,170
In the government-wide financial statements, the return of principal portion of the reimbursement for chloramine conversion costs paid in a prior fiscal year reduces the long-term receivable balance.	(6,791)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,595,937)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets owned and maintained by the District are increased by new purchases.	995,428
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.	1,560,000
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>(170,521)</u>
Change in Net Position - Governmental Activities	<u>\$ 210,669</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 1. CREATION OF DISTRICT

Three Lakes Municipal Utility District No. 1 was created by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”), effective December 31, 1973. On October 17, 1997, the Commission (formerly, the Texas Natural Resource Conservation Commission) approved for the District to change its name to Harris County Municipal Utility District No. 368. 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, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on March 11, 1974, and the first bonds were sold on May 5, 1982.

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 or not 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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.
- 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 resources 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 by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 each to be a major fund.

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 revenues reported in the governmental funds to be available if they are collected 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 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 their 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 greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

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

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

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 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. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 3. LONG-TERM DEBT

	Series 2009	Refunding Series 2010
Amounts Outstanding – May 31, 2016	\$ 200,000	\$ 10,880,000
Interest Rates	5.00%	3.00% - 4.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2016/2017	September 1, 2016/2030
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2016*	September 1, 2017*

	Refunding Series 2012	Series 2012	Refunding Series 2013
Amounts Outstanding – May 31, 2016	\$ 8,875,000	\$ 4,675,000	\$ 7,735,000
Interest Rates	2.00% - 4.00%	2.00% - 4.10%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2016/2032	September 1, 2016/2039	September 1, 2016/2033
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2019 *	September 1, 2019 *	September 1, 2020 *

* In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued to the date fixed for redemption. Series 2012 Refunding term bonds maturing September 1, 2023, and September 1, 2027 are subject to mandatory redemption beginning September 1, 2022, and September 1, 2024, respectively. Series 2012 term bonds maturing September 1, 2024, September 1, 2027, September 1, 2032, September 1, 2036, and September 1, 2039 are subject to mandatory redemption beginning September 1, 2022, September 1, 2025, September 1, 2028, September 1, 2033 and September 1, 2037, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2013A	Series 2014	Refunding Series 2015
Amounts Outstanding – May 31, 2016	\$ 5,330,000	\$ 2,520,000	\$ 8,145,000
Interest Rates	3.00% - 4.00%	4.00% - 6.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2016/2024	September 1, 2016/2039	September 1, 2016/2034
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2020 *	September 1, 2021 *	September 1, 2022 *
			Refunding Series 2015A
Amounts Outstanding – May 31, 2016			\$ 7,770,000
Interest Rates			2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending			September 1, 2016/2036
Interest Payment Dates			September 1/ March 1
Callable Dates			September 1, 2022 *

* In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued to the date fixed for redemption. Series 2014 term bonds maturing September 1, 2028, September 1, 2031, September 1, 2034, and September 1, 2037 are subject to mandatory redemption beginning September 1, 2025, September 1, 2029, September 1, 2032, and September 1, 2035, respectively. Series 2015A term bonds maturing September 1, 2026, September 1, 2028, September 1, 2030, September 1, 2032 and September 1, 2034 are subject to mandatory redemption beginning September 1, 2025, September 1, 2027, September 1, 2029, September 1, 2031 and September 1, 2033, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended May 31, 2016:

	June 1, 2015	Additions	Retirements	May 31, 2016
Bonds Payable	\$ 57,690,000	\$	\$ 1,560,000	\$ 56,130,000
Unamortized Discounts	(445,069)		(31,067)	(414,002)
Unamortized Premiums	1,217,440		75,195	1,142,245
Bonds Payable, Net	\$ 58,462,371	\$ -0-	\$ 1,604,128	\$ 56,858,243
		Amount Due Within One Year		\$ 1,690,000
		Amount Due After One Year		55,168,243
		Bonds Payable, Net		\$ 56,858,243

As of May 31, 2016, the District has authorized but unissued bonds in the amount of \$27,540,000 for utility facilities and refunding bond authorization of one and one-half times the amount of bonds outstanding at any given time. 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. As of May 31, 2016, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 1,690,000	\$ 2,130,307	\$ 3,820,307
2018	1,735,000	2,080,305	3,815,305
2019	1,790,000	2,025,993	3,815,993
2020	1,870,000	1,966,681	3,836,681
2021	1,920,000	1,902,255	3,822,255
2022-2026	10,640,000	8,433,230	19,073,230
2027-2031	12,905,000	6,181,767	19,086,767
2032-2036	15,410,000	3,252,517	18,662,517
2037-2040	8,170,000	635,863	8,805,863
	\$ 56,130,000	\$ 28,608,918	\$ 84,738,918

During the year ended May 31, 2016, the District levied an ad valorem debt service tax rate of \$0.64 per \$100 of assessed valuation, which resulted in a tax levy of \$3,760,072 on the adjusted taxable valuation of \$587,511,378 for the 2015 tax year. 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 3. LONG-TERM DEBT (Continued)

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 District has covenanted that it will 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. The minimum requirement for determination of the rebatable amount is on every fifth year anniversary date of each issue.

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information depository and the state information depository. This information, along with 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.

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.

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 \$7,790,651 and the bank balance was \$7,850,652. The District was not exposed to custodial credit risk at year-end.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2016, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 696,055	\$ 3,760,000	\$ 4,456,055
DEBT SERVICE FUND	213,965	3,120,000	3,333,965
CAPITAL PROJECTS FUND	631		631
TOTAL DEPOSITS	\$ 910,651	\$ 6,880,000	\$ 7,790,651

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 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

All investments are recorded at cost, which the District considers to be fair value. The District invests in TexPool, an external investment pool that 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. The fair value of the District's position in the pool is the same as the value of pool shares.

As of May 31, 2016, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities - Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 987,305	\$ 987,305
Certificates of Deposit	3,760,000	3,760,000
<u>DEBT SERVICE FUND</u>		
TexPool	3,317,935	3,317,935
Certificates of Deposit	3,120,000	3,120,000
<u>CAPITAL PROJECTS FUND</u>		
TexPool	1,822,204	1,822,204
TOTAL INVESTMENTS	<u><u>\$13,007,444</u></u>	<u><u>\$ 13,007,444</u></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2016, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC 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 due to the fact 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 manages 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. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2016:

	June 1, 2015	Increases	Decreases	May 31, 2016
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,572,300	\$	\$	\$ 2,572,300
Construction in Progress	140,095	1,430,492	1,435,190	135,397
Total Capital Assets Not Being Depreciated	<u>\$ 2,712,395</u>	<u>\$ 1,430,492</u>	<u>\$ 1,435,190</u>	<u>\$ 2,707,697</u>
Capital Assets Subject to Depreciation				
Building and Equipment	\$ 441,673	\$	\$	\$ 441,673
Water System	17,640,725	302,789		17,943,514
Wastewater System	18,710,339	621,305		19,331,644
Drainage System	16,173,147	511,095		16,684,242
Total Capital Assets Subject to Depreciation	<u>\$ 52,965,884</u>	<u>\$ 1,435,189</u>	<u>\$ - 0 -</u>	<u>\$ 54,401,073</u>
Less Accumulated Depreciation				
Building and Equipment	\$ 84,258	\$ 10,874	\$	\$ 95,132
Water System	5,409,836	621,537		6,031,373
Wastewater System	6,453,862	609,014		7,062,876
Drainage System	4,017,152	354,512		4,371,664
Total Accumulated Depreciation	<u>\$ 15,965,108</u>	<u>\$ 1,595,937</u>	<u>\$ - 0 -</u>	<u>\$ 17,561,045</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 37,000,776</u>	<u>\$ (160,748)</u>	<u>\$ - 0 -</u>	<u>\$ 36,840,028</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 39,713,171</u>	<u>\$ 1,269,744</u>	<u>\$ 1,435,190</u>	<u>\$ 39,547,725</u>

NOTE 7. MAINTENANCE TAX

At an election held on April 7, 1979, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. During the year ended May 31, 2016, the District levied an ad valorem maintenance tax rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$881,268 on the adjusted taxable valuation of \$587,511,378 for the 2015 tax year. This maintenance tax is to be used by the General Fund to pay the costs of operating the District's waterworks and sanitary sewer system.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 8. EMERGENCY WATER SUPPLY AGREEMENT

On October 19, 1982, the District and Northwest Harris County Municipal Utility District No. 15 entered into an agreement to provide for emergency water supply. The agreement was amended on March 3, 1997, November 29, 2005, and March 15, 2012. The cost of the interconnect was shared equally by both districts. The charge for service to either district in effect per the most recent amendment to the contract is \$1.00 per 1,000 gallons of water plus any regulatory agency fees, including the pumpage fee imposed by the North Harris County Regional Water Authority, or until such time as one or both districts convert to surface water, then the rate will be the cost of surface water plus ten percent. The term of the contract is 40 years.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters from 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 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris- Galveston Subsidence District pumpage requirements.

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. The current pumpage fee is \$2.40 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$118,404 for pumpage fees assessed during the current fiscal year. The District also purchased surface water from the Authority at a total cost of \$699,081 during the current fiscal year. The current surface water rate is \$2.85 per 1,000 gallons.

The Authority required the District to convert its water systems to chloramine disinfection for as long as it is connected to the Authority's system. The District has completed its chloramine conversion system. The District's reimbursable cost of this system was \$452,933. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the July, 2012 Authority billing. Total credits

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

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

received in the current fiscal year were \$32,905. Of this amount, \$6,791 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

Fiscal Year	Principal	Interest	Total
2017	\$ 7,199	\$ 25,706	\$ 32,905
2018	7,631	25,274	32,905
2019	8,088	24,817	32,905
2020	8,574	24,331	32,905
2021	9,088	23,817	32,905
2022-2026	54,305	110,220	164,525
2027-2031	56,397	75,224	131,621
2032-2036	71,199	60,421	131,620
2037-2041	89,888	41,733	131,621
2042-2043	116,071	18,294	134,365
	<u>\$ 428,440</u>	<u>\$ 429,837</u>	<u>\$ 858,277</u>

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

Effective April 24, 2007, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. This agreement was amended on November 22, 2013. This agreement has been subsequently amended. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

The City shall impose a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller’s office. During the fiscal year ended May 31, 2016, the District received sales tax revenues of \$134,147. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 12. UNREIMBURSED COSTS

The District has executed development financing agreements which call for the developers to fund costs associated with water, sewer and drainage facilities. As of May 31, 2016, the District recorded a liability to developers of \$584,477 in relation to these agreements for completed projects. Any reimbursement to the developers will come from proceeds of future bond sales or surplus funds.

NOTE 13. INTERFUND LOANS

As of May 31, 2016, the General Fund owed the Debt Service Fund \$7,688 for the over transfer of maintenance tax collections and the Capital Projects Fund owed the General Fund \$4,500 for costs related to the agreed-upon procedures surplus funds report.

NOTE 14. USE OF SURPLUS FUNDS

On December 23, 2015, the District received approval from the Commission to use surplus Capital Projects Fund money to reimburse the developer for: construction costs, engineering costs, and developer interest associated with Willow Falls, Section 4, Willow Falls, Section 5, and the Willow Falls and Boudreaux Road drainage facilities. The surplus funds will also be used to reimburse the General Fund for costs paid for utilities to serve the HMT commercial reserve.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2016

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 740,000	\$ 881,334	\$ 141,334
Water Service	900,000	897,916	(2,084)
Wastewater Service	1,653,600	1,698,150	44,550
Regional Water Authority Fee	900,000	880,009	(19,991)
Penalty and Interest	66,000	71,092	5,092
Tap Connection and Inspection Fees	63,000	57,100	(5,900)
Security Revenues	96,000	72,790	(23,210)
Sales Tax Revenues	130,000	134,147	4,147
Miscellaneous Revenues	85,560	131,209	45,649
TOTAL REVENUES	\$ 4,634,160	\$ 4,823,747	\$ 189,587
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 240,000	\$ 354,832	\$ (114,832)
Contracted Services	1,529,468	1,620,234	(90,766)
Utilities	218,000	224,524	(6,524)
Regional Water Authority Costs	754,920	817,485	(62,565)
Repairs and Maintenance	825,100	876,126	(51,026)
Other	498,165	510,536	(12,371)
Capital Outlay	34,000	457,826	(423,826)
TOTAL EXPENDITURES	\$ 4,099,653	\$ 4,861,563	\$ (761,910)
NET CHANGE IN FUND BALANCE	\$ 534,507	\$ (37,816)	\$ (572,323)
FUND BALANCE - JUNE 1, 2015	5,018,233	5,018,233	
FUND BALANCE - MAY 31, 2016	\$ 5,552,740	\$ 4,980,417	\$ (572,323)

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2016

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2016

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective March 20, 2014

	<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:	\$ 15.00	5,000	N	\$ 1.75 \$ 2.00 \$ 2.50 \$ 3.00	5,001 to 10,000 10,001 to 20,000 20,001 to 30,000 30,001 and up
WASTEWATER:	\$ 37.35		Y		
SURCHARGE:					
Regional Water Authority Fees	\$3.14 per 1,000 gallons used (Current surface water fee plus 10%)				

District employs winter averaging for wastewater usage? _____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$23.75 Wastewater: \$37.35 Surcharge: \$31.40

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2016

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	
≤ ³ / ₄ "	<u>3,748</u>	<u>3,748</u>	x 1.0	<u>3,748</u>
1"	<u>13</u>	<u>13</u>	x 2.5	<u>33</u>
1½"	<u>4</u>	<u>4</u>	x 5.0	<u>20</u>
2"	<u>27</u>	<u>27</u>	x 8.0	<u>216</u>
3"			x 15.0	
4"	<u>6</u>	<u>6</u>	x 25.0	<u>150</u>
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>3,798</u></u>	<u><u>3,798</u></u>		<u><u>4,167</u></u>
Total Wastewater Connections	<u><u>3,718</u></u>	<u><u>3,718</u></u>	x 1.0	<u><u>3,718</u></u>

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

Gallons pumped into system:	57,003,000	Water Accountability Ratio: 97.3% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	323,853,000	
Gallons purchased:	275,831,000	From: <u>North Harris County Regional Water Authority</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2016

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

Does the District have Debt Service standby fees? Yes ___ No X

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X 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 X

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2016

PROFESSIONAL FEES:	
Auditing	\$ 19,500
Engineering	112,381
Legal	<u>222,951</u>
TOTAL PROFESSIONAL FEES	<u>\$ 354,832</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 699,081</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 39,301
Operations and Billing	<u>218,241</u>
TOTAL CONTRACTED SERVICES	<u>\$ 257,542</u>
UTILITIES:	
Electricity	\$ 215,398
Telephone	<u>9,126</u>
TOTAL UTILITIES	<u>\$ 224,524</u>
REPAIRS AND MAINTENANCE	<u>\$ 876,126</u>
ADMINISTRATIVE EXPENDITURES:	
Bank Charges	\$ 2,939
Director Fees	30,450
Dues	580
Election Costs	12,647
Insurance	33,778
Legal Notices	1,706
Office Supplies and Postage	63,263
Payroll Taxes	2,329
Travel and Meetings	17,235
Water Smart Program	8,177
Website Hosting	2,878
Other	<u>1,325</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 177,307</u>
CAPITAL OUTLAY	<u>\$ 457,826</u>
TAP CONNECTIONS	<u>\$ 24,575</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2016

SOLID WASTE DISPOSAL/RECYCLING	\$ <u>640,016</u>
SECURITY	\$ <u>722,676</u>
OTHER EXPENDITURES:	
Chemicals	\$ 64,163
Fuel	3,202
Laboratory Fees	31,925
Permit Fees	14,611
Reconnection Fees	47,890
Inspection Fees	7,535
Regional Water Authority Assessment	118,404
Regulatory Assessment	13,049
Sludge Hauling	89,658
Other	<u>36,621</u>
TOTAL OTHER EXPENDITURES	\$ <u>427,058</u>
TOTAL EXPENDITURES	\$ <u><u>4,861,563</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
INVESTMENTS
MAY 31, 2016

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	XXXX0003	Varies	Daily	\$ 987,305	\$
Certificate of Deposit	XXXX4835	0.60%	09/19/16	240,000	1,002
Certificate of Deposit	XXXX7814	0.20%	09/22/16	240,000	331
Certificate of Deposit	XXXX6428	0.30%	10/14/16	240,000	452
Certificate of Deposit	XXXX1914	0.50%	12/19/16	215,000	483
Certificate of Deposit	XXXX2875	0.40%	08/28/16	95,000	96
Certificate of Deposit	XXXX0337	0.40%	05/26/17	240,000	13
Certificate of Deposit	XXXX2126	0.50%	08/03/16	240,000	990
Certificate of Deposit	XXXX3875	0.45%	01/05/17	140,000	192
Certificate of Deposit	XXXX0407	0.50%	03/09/17	95,000	108
Certificate of Deposit	XXXX6481	0.25%	04/14/17	240,000	77
Certificate of Deposit	XXXX8942	0.55%	05/17/17	240,000	51
Certificate of Deposit	XXXX1338	0.60%	11/02/16	240,000	828
Certificate of Deposit	XXXX7832	0.70%	10/22/16	240,000	1,022
Certificate of Deposit	XXXX1043	0.60%	11/22/16	240,000	754
Certificate of Deposit	XXXX0518	0.50%	07/15/16	240,000	1,049
Certificate of Deposit	XXXX1703	0.35%	08/24/16	95,000	88
Certificate of Deposit	XXXX8265	0.30%	08/23/16	240,000	554
Certificate of Deposit	XXXX8950	0.40%	11/16/16	240,000	515
TOTAL GENERAL FUND				\$ 4,747,305	\$ 8,605
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 3,317,935	\$
Certificate of Deposit	XXXX6106	0.50%	08/18/16	240,000	332
Certificate of Deposit	XXXX0353	0.35%	08/14/16	240,000	239
Certificate of Deposit	XXXX3888	0.40%	08/22/16	240,000	260
Certificate of Deposit	XXXX6704	0.40%	08/18/16	240,000	266
Certificate of Deposit	XXXX8754	0.30%	08/24/16	240,000	191
Certificate of Deposit	XXXX1967	0.30%	08/12/16	240,000	211
Certificate of Deposit	XXXX0320	0.40%	08/27/16	240,000	268
Certificate of Deposit	XXXX5726	0.20%	08/12/16	240,000	141
Certificate of Deposit	XXXX3234	0.40%	08/12/16	240,000	282
Certificate of Deposit	XXXX0105	0.35%	08/16/16	240,000	242
Certificate of Deposit	XXXX2225	0.35%	08/12/16	240,000	246
Certificate of Deposit	XXXX5535	0.25%	08/13/16	240,000	174
Certificate of Deposit	XXXX1532	0.45%	08/09/16	240,000	326
TOTAL DEBT SERVICE FUND				\$ 6,437,935	\$ 3,178
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0006	Varies	Daily	\$ 1,364,758	\$
TexPool	XXXX0007	Varies	Daily	453,326	
TexPool	XXXX0008	Varies	Daily	4,120	
TOTAL CAPITAL PROJECTS FUND				\$ 1,822,204	\$ - 0 -
TOTAL - ALL FUNDS				\$ 13,007,444	\$ 11,783

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2016

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2015	\$	12,604		\$ 62,283
Adjustments to Beginning				
Balance		<u>(1,239)</u>	\$ 11,365	<u>(6,085)</u> \$ 56,198
Original 2015 Tax Levy	\$	785,708		\$ 3,352,353
Adjustment to 2015 Tax Levy		<u>95,560</u>	<u>881,268</u>	<u>407,719</u> <u>3,760,072</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 892,633		\$ 3,816,270
TAX COLLECTIONS:				
Prior Years	\$	8,085		\$ 39,123
Current Year		<u>873,249</u>	<u>881,334</u>	<u>3,725,867</u> <u>3,764,990</u>
TAXES RECEIVABLE -				
MAY 31, 2016		<u>\$ 11,299</u>		<u>\$ 51,280</u>
TAXES RECEIVABLE BY				
YEAR:				
2015		\$ 8,019		\$ 34,205
2014		1,178		5,654
2013		674		3,652
2012		464		2,516
2011		345		1,758
2010		239		1,349
2009		284		1,599
2008		<u>96</u>		<u>547</u>
TOTAL		<u>\$ 11,299</u>		<u>\$ 51,280</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2016

	2015	2014	2013	2012
PROPERTY VALUATIONS:				
Land	\$ 136,623,005	\$ 130,623,043	\$ 125,621,361	\$ 122,181,536
Improvements	525,169,482	451,930,120	360,499,119	320,464,491
Personal Property	23,845,810	20,581,538	20,403,455	14,686,159
Exemptions	<u>(98,126,919)</u>	<u>(88,750,894)</u>	<u>(60,689,451)</u>	<u>(42,350,249)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 587,511,378</u>	<u>\$ 514,383,807</u>	<u>\$ 445,834,484</u>	<u>\$ 414,981,937</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.64	\$ 0.72	\$ 0.840	\$ 0.840
Maintenance	<u>0.15</u>	<u>0.15</u>	<u>0.155</u>	<u>0.155</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.79</u>	<u>\$ 0.87</u>	<u>\$ 0.995</u>	<u>\$ 0.995</u>
ADJUSTED TAX LEVY*	<u>\$ 4,641,340</u>	<u>\$ 4,475,139</u>	<u>\$ 4,436,054</u>	<u>\$ 4,129,072</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.09 %</u>	<u>99.85 %</u>	<u>99.90 %</u>	<u>99.93 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on April 7, 1979.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2016

S E R I E S - 2 0 0 9			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2017	\$ 100,000	\$ 7,500	\$ 107,500
2018	100,000	2,500	102,500
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	\$ 200,000	\$ 10,000	\$ 210,000

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2016

REFUNDING SERIES - 2010

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2017	\$ 360,000	\$ 441,913	\$ 801,913
2018	375,000	429,950	804,950
2019	390,000	416,562	806,562
2020	410,000	401,537	811,537
2021	430,000	384,737	814,737
2022	455,000	367,037	822,037
2023	475,000	348,437	823,437
2024	225,000	334,437	559,437
2025	400,000	321,936	721,936
2026	1,485,000	284,238	1,769,238
2027	1,540,000	222,775	1,762,775
2028	1,070,000	168,275	1,238,275
2029	1,110,000	121,256	1,231,256
2030	1,160,000	70,875	1,230,875
2031	995,000	22,388	1,017,388
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 10,880,000</u>	<u>\$ 4,336,353</u>	<u>\$ 15,216,353</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2016

S E R I E S - 2 0 1 2

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2017	\$ 25,000	\$ 185,400	\$ 210,400
2018	25,000	184,887	209,887
2019	25,000	184,338	209,338
2020	50,000	183,425	233,425
2021	50,000	182,125	232,125
2022	50,000	180,700	230,700
2023	50,000	179,125	229,125
2024	50,000	177,475	227,475
2025	50,000	175,825	225,825
2026	50,000	174,088	224,088
2027	50,000	172,262	222,262
2028	50,000	170,438	220,438
2029	50,000	168,525	218,525
2030	50,000	166,525	216,525
2031	75,000	164,025	239,025
2032	75,000	161,025	236,025
2033	75,000	158,025	233,025
2034	75,000	155,025	230,025
2035	75,000	152,025	227,025
2036	75,000	149,025	224,025
2037	75,000	146,025	221,025
2038	1,100,000	121,975	1,221,975
2039	1,175,000	75,337	1,250,337
2040	1,250,000	25,625	1,275,625
	<u>\$ 4,675,000</u>	<u>\$ 3,793,250</u>	<u>\$ 8,468,250</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2016

REFUNDING SERIES - 2012

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2017	\$ 40,000	\$ 344,725	\$ 384,725
2018	40,000	343,925	383,925
2019	270,000	338,125	608,125
2020	420,000	324,325	744,325
2021	430,000	307,325	737,325
2022	455,000	289,625	744,625
2023	195,000	277,844	472,844
2024	195,000	272,481	467,481
2025	35,000	269,188	304,188
2026	35,000	267,962	302,962
2027	35,000	266,738	301,738
2028	575,000	256,062	831,062
2029	595,000	234,100	829,100
2030	620,000	209,800	829,800
2031	865,000	180,100	1,045,100
2032	1,995,000	122,900	2,117,900
2033	2,075,000	41,500	2,116,500
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 8,875,000</u>	<u>\$ 4,346,725</u>	<u>\$ 13,221,725</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2016

REFUNDING SERIES - 2013

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2017	\$ 355,000	\$ 283,075	\$ 638,075
2018	365,000	274,050	639,050
2019	145,000	266,400	411,400
2020	15,000	264,000	279,000
2021	20,000	263,475	283,475
2022	20,000	262,875	282,875
2023	295,000	257,412	552,412
2024	315,000	246,738	561,738
2025	325,000	235,537	560,537
2026	340,000	223,900	563,900
2027	360,000	211,650	571,650
2028	370,000	198,875	568,875
2029	395,000	184,500	579,500
2030	410,000	168,400	578,400
2031	430,000	151,600	581,600
2032	450,000	134,000	584,000
2033	475,000	115,500	590,500
2034	2,650,000	53,000	2,703,000
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 7,735,000</u>	<u>\$ 3,794,987</u>	<u>\$ 11,529,987</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2016

REFUNDING SERIES - 2013 A

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2017	\$ 535,000	\$ 171,025	\$ 706,025
2018	545,000	154,825	699,825
2019	560,000	138,250	698,250
2020	580,000	121,150	701,150
2021	590,000	103,600	693,600
2022	605,000	85,675	690,675
2023	620,000	64,200	684,200
2024	635,000	39,100	674,100
2025	660,000	13,200	673,200
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 5,330,000</u>	<u>\$ 891,025</u>	<u>\$ 6,221,025</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2016

S E R I E S - 2 0 1 4

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2017	\$ 20,000	\$ 118,538	\$ 138,538
2018	25,000	117,187	142,187
2019	25,000	115,687	140,687
2020	25,000	114,188	139,188
2021	25,000	112,687	137,687
2022	25,000	111,187	136,187
2023	25,000	109,688	134,688
2024	25,000	108,188	133,188
2025	25,000	106,813	131,813
2026	25,000	105,687	130,687
2027	25,000	104,688	129,688
2028	50,000	103,188	153,188
2029	50,000	101,187	151,187
2030	50,000	99,125	149,125
2031	50,000	97,000	147,000
2032	50,000	94,875	144,875
2033	50,000	92,687	142,687
2034	50,000	90,437	140,437
2035	50,000	88,187	138,187
2036	50,000	85,906	135,906
2037	50,000	83,594	133,594
2038	550,000	69,719	619,719
2039	575,000	43,344	618,344
2040	625,000	14,844	639,844
	<u>\$ 2,520,000</u>	<u>\$ 2,288,631</u>	<u>\$ 4,808,631</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2016

REFUNDING SERIES - 2015

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2017	\$ 210,000	\$ 290,100	\$ 500,100
2018	215,000	285,850	500,850
2019	230,000	281,400	511,400
2020	225,000	275,725	500,725
2021	235,000	268,825	503,825
2022	245,000	261,625	506,625
2023	245,000	254,275	499,275
2024	535,000	242,575	777,575
2025	565,000	226,075	791,075
2026	220,000	213,200	433,200
2027	225,000	204,300	429,300
2028	235,000	195,100	430,100
2029	240,000	185,600	425,600
2030	250,000	175,800	425,800
2031	265,000	165,500	430,500
2032	270,000	154,800	424,800
2033	280,000	143,800	423,800
2034	325,000	131,700	456,700
2035	3,130,000	62,600	3,192,600
2036			
2037			
2038			
2039			
2040			
	<u>\$ 8,145,000</u>	<u>\$ 4,018,850</u>	<u>\$ 12,163,850</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2016

REFUNDING SERIES - 2015 A

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2017	\$ 45,000	\$ 288,031	\$ 333,031
2018	45,000	287,131	332,131
2019	145,000	285,231	430,231
2020	145,000	282,331	427,331
2021	140,000	279,481	419,481
2022	140,000	276,681	416,681
2023	140,000	273,181	413,181
2024	135,000	269,056	404,056
2025	135,000	265,007	400,007
2026	135,000	260,957	395,957
2027	135,000	256,907	391,907
2028	135,000	252,772	387,772
2029	130,000	248,631	378,631
2030	130,000	244,000	374,000
2031	130,000	238,800	368,800
2032	135,000	233,500	368,500
2033	130,000	228,200	358,200
2034	130,000	223,000	353,000
2035	130,000	217,800	347,800
2036	2,610,000	163,000	2,773,000
2037	2,770,000	55,400	2,825,400
2038			
2039			
2040			
	<u>\$ 7,770,000</u>	<u>\$ 5,129,097</u>	<u>\$ 12,899,097</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2016

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2017	\$ 1,690,000	\$ 2,130,307	\$ 3,820,307
2018	1,735,000	2,080,305	3,815,305
2019	1,790,000	2,025,993	3,815,993
2020	1,870,000	1,966,681	3,836,681
2021	1,920,000	1,902,255	3,822,255
2022	1,995,000	1,835,405	3,830,405
2023	2,045,000	1,764,162	3,809,162
2024	2,115,000	1,690,050	3,805,050
2025	2,195,000	1,613,581	3,808,581
2026	2,290,000	1,530,032	3,820,032
2027	2,370,000	1,439,320	3,809,320
2028	2,485,000	1,344,710	3,829,710
2029	2,570,000	1,243,799	3,813,799
2030	2,670,000	1,134,525	3,804,525
2031	2,810,000	1,019,413	3,829,413
2032	2,975,000	901,100	3,876,100
2033	3,085,000	779,712	3,864,712
2034	3,230,000	653,162	3,883,162
2035	3,385,000	520,612	3,905,612
2036	2,735,000	397,931	3,132,931
2037	2,895,000	285,019	3,180,019
2038	1,650,000	191,694	1,841,694
2039	1,750,000	118,681	1,868,681
2040	1,875,000	40,469	1,915,469
	<u>\$ 56,130,000</u>	<u>\$ 28,608,918</u>	<u>\$ 84,738,918</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2016

Description	Original Bonds Issued	Bonds Outstanding June 1, 2015
Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2007	\$ 9,400,000	\$ 185,000
Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2009	7,795,000	300,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2010	12,835,000	11,230,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2012	8,995,000	8,915,000
Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2012	4,710,000	4,700,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2013	8,205,000	8,075,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2013A	5,930,000	5,850,000
Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2014	2,520,000	2,520,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2015	8,145,000	8,145,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2015A	<u>7,770,000</u>	<u>7,770,000</u>
TOTAL	<u><u>\$ 76,305,000</u></u>	<u><u>\$ 57,690,000</u></u>

See accompanying independent auditor's report.

Current Year Transactions

Bonds Sold	Retirements		Bonds Outstanding May 31, 2016	Paying Agent
	Principal	Interest		
\$	\$ 185,000	\$ 3,700	\$ - 0 -	Wells Fargo Bank N.A. Dallas, TX
	100,000	12,500	200,000	Wells Fargo Bank N.A. Dallas, TX
	350,000	452,562	10,880,000	Wells Fargo Bank N.A. Dallas, TX
	40,000	345,526	8,875,000	Wells Fargo Bank N.A. Dallas, TX
	25,000	185,868	4,675,000	Wells Fargo Bank N.A. Dallas, TX
	340,000	290,025	7,735,000	Wells Fargo Bank N.A. Dallas, TX
	520,000	186,850	5,330,000	Wells Fargo Bank N.A. Dallas, TX
		119,137	2,520,000	Wells Fargo Bank N.A. Dallas, TX
		292,200	8,145,000	Wells Fargo Bank N.A. Minneapolis, MN
		225,083	7,770,000	Wells Fargo Bank N.A. Minneapolis, MN
<u>\$ - 0 -</u>	<u>\$ 1,560,000</u>	<u>\$ 2,113,451</u>	<u>\$ 56,130,000</u>	

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2016

Bond Authority:	<u>Tax Bonds</u>	
Amount Authorized by Voters	\$ 95,000,000	
Amount Issued	<u>67,460,000</u>	
Remaining to be Issued	<u>\$ 27,540,000</u>	
Debt Service Fund cash and investment balances as of May 31, 2016:		<u>\$ 6,651,900</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 3,530,788</u>

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

Note: Refunding bonds authorization equals one and one-half times the amount of bonds outstanding at any given time.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amount		
	2016	2015	2014
REVENUES			
Property Taxes	\$ 881,334	\$ 769,604	\$ 689,141
Water Service	897,916	862,680	894,845
Wastewater Service	1,698,150	1,653,455	1,593,671
Regional Water Authority Fees	880,009	812,598	830,894
Penalty and Interest	71,092	64,844	63,855
Tap Connection and Inspection Fees	57,100	90,300	142,386
Security Revenues	72,790	94,871	94,313
Sales Tax Revenues	134,147	129,581	134,665
Water Authority Credits	32,905	32,905	47,561
Miscellaneous Revenues	98,304	122,913	62,811
TOTAL REVENUES	\$ 4,823,747	\$ 4,633,751	\$ 4,554,142
EXPENDITURES			
Professional Fees	\$ 354,832	\$ 238,206	\$ 229,743
Contracted Services	1,620,234	1,511,074	1,407,785
Purchased Water	699,081	725,418	663,097
Utilities	224,524	212,729	207,216
Regional Water Authority Assessments	118,404	51,520	91,119
Repairs and Maintenance	876,126	913,176	837,146
Other	510,536	579,654	481,553
Capital Outlay	457,826	139,770	281,319
Note Payments	9,220	10,055	10,055
TOTAL EXPENDITURES	\$ 4,861,563	\$ 4,380,767	\$ 4,209,033
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (37,816)	\$ 252,984	\$ 345,109
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ - 0 -	\$ - 0 -	\$ 78,734
NET CHANGE IN FUND BALANCE	\$ (37,816)	\$ 252,984	\$ 423,843
BEGINNING FUND BALANCE	5,018,233	4,765,249	4,341,406
ENDING FUND BALANCE	\$ 4,980,417	\$ 5,018,233	\$ 4,765,249

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 638,134	\$ 655,938	18.4 %	16.7 %	15.2 %	14.8 %	13.4 %
866,846	930,696	18.5	18.6	19.6	20.3	19.1
1,536,207	1,484,004	35.2	35.7	35.0	35.9	30.4
784,110	902,711	18.2	17.5	18.2	18.3	18.5
53,674	104,615	1.5	1.4	1.4	1.3	2.1
89,300	137,325	1.2	1.9	3.1	2.1	2.8
76,050	74,200	1.5	2.0	2.1	1.8	1.5
124,635	122,236	2.8	2.8	3.0	2.9	2.5
45,903	15,576	0.7	0.7	1.0	1.1	0.3
64,089	456,859	2.0	2.7	1.4	1.5	9.4
<u>\$ 4,278,948</u>	<u>\$ 4,884,160</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 312,572	\$ 266,708	7.4 %	5.1 %	5.0 %	7.3 %	5.5 %
1,382,549	1,396,425	33.6	32.6	30.9	32.3	28.6
653,664	464,075	14.5	15.7	14.6	15.3	9.5
220,308	287,700	4.7	4.6	4.6	5.1	5.9
69,230	329,718	2.5	1.1	2.0	1.6	6.8
726,466	694,690	18.2	19.7	18.4	17.0	14.2
496,280	539,041	10.6	12.5	10.6	11.6	11.0
48,709	311,670	9.5	3.0	6.2	1.1	6.4
10,054	10,055		0.2	0.2	0.2	0.2
<u>\$ 3,919,832</u>	<u>\$ 4,300,082</u>	<u>101.0 %</u>	<u>94.5 %</u>	<u>92.5 %</u>	<u>91.5 %</u>	<u>88.1 %</u>
<u>\$ 359,116</u>	<u>\$ 584,078</u>	<u>(1.0) %</u>	<u>5.5 %</u>	<u>7.5 %</u>	<u>8.5 %</u>	<u>11.9 %</u>
\$ - 0 -	\$ (32,000)					
\$ 359,116	\$ 552,078					
<u>3,982,290</u>	<u>3,430,212</u>					
<u>\$ 4,341,406</u>	<u>\$ 3,982,290</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS

	Amount		
	2016	2015	2014
REVENUES			
Property Taxes	\$ 3,764,990	\$ 3,698,978	\$ 3,734,591
Penalty and Interest	28,812	29,668	28,999
Miscellaneous Revenues	17,142	12,897	22,915
TOTAL REVENUES	\$ 3,810,944	\$ 3,741,543	\$ 3,786,505
EXPENDITURES			
Tax Collection Expenditures	\$ 96,666	\$ 98,638	\$ 97,700
Debt Service Principal	1,560,000	1,070,000	1,920,000
Debt Service Interest and Fees	2,119,276	2,425,985	2,177,740
Bond Issuance Costs	9,000	691,344	317,210
Payment to Escrow Agent	—	103,000	9,000
TOTAL EXPENDITURES	\$ 3,784,942	\$ 4,388,967	\$ 4,521,650
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 26,002	\$ (647,424)	\$ (735,145)
OTHER FINANCING SOURCES (USES)			
Transfer In	\$ —	\$ —	\$ —
Proceeds from the Sale of Refunding Bonds	—	15,915,000	5,930,000
Payment to Refunded Bond Escrow Agent	—	(15,842,887)	(5,826,735)
Bond Discount	—	—	—
Bond Premium	—	635,823	218,995
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 707,936	\$ 322,260
NET CHANGE IN FUND BALANCE	\$ 26,002	\$ 60,512	\$ (412,885)
BEGINNING FUND BALANCE	6,608,145	6,547,633	6,960,518
ENDING FUND BALANCE	\$ 6,634,147	\$ 6,608,145	\$ 6,547,633
TOTAL ACTIVE RETAIL WATER CONNECTIONS	3,798	3,762	3,689
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	3,718	3,685	3,614

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 3,456,570	\$ 3,346,010	98.8 %	98.9 %	98.6 %	98.2 %	98.1 %
36,827	42,464	0.8	0.8	0.8	1.0	1.2
28,409	24,310	0.4	0.3	0.6	0.8	0.7
<u>\$ 3,521,806</u>	<u>\$ 3,412,784</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 96,092	\$ 98,366	2.5 %	2.6 %	2.6 %	2.7 %	2.9 %
1,280,000	1,225,000	40.9	28.6	50.7	36.3	35.9
2,383,438	2,432,946	55.6	64.8	57.5	67.7	71.3
495,465	636,583	0.2	18.5	8.4	14.1	18.7
21,000	32,000		2.8	0.2	0.6	0.9
<u>\$ 4,275,995</u>	<u>\$ 4,424,895</u>	<u>99.2 %</u>	<u>117.3 %</u>	<u>119.4 %</u>	<u>121.4 %</u>	<u>129.7 %</u>
<u>\$ (754,189)</u>	<u>\$ (1,012,111)</u>	<u>0.8 %</u>	<u>(17.3) %</u>	<u>(19.4) %</u>	<u>(21.4) %</u>	<u>(29.7) %</u>
\$	\$ 32,000					
8,205,000	8,995,000					
(7,989,210)	(8,409,203)					
	(112,438)					
286,617	160,852					
<u>\$ 502,407</u>	<u>\$ 666,211</u>					
\$ (251,782)	\$ (345,900)					
7,212,300	7,558,200					
<u>\$ 6,960,518</u>	<u>\$ 7,212,300</u>					
<u>3,540</u>	<u>3,452</u>					
<u>3,465</u>	<u>3,378</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2016

District Mailing Address - Harris County Municipal Utility District No. 368
c/o Johnson Petrov LLP
2929 Allen Parkway, Suite 3150
Houston, TX 77019

District Telephone Number - (713) 489-8977

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended <u>May 31, 2016</u>	Expense Reimbursements for the year ended <u>May 31, 2016</u>	<u>Title</u>
Roy P. Lackey	05/14-05/18 (Elected)	\$ 6,900	\$ 3,192	President
Tiffani C. Bishop	05/16 – 05/20 (Elected)	\$ 7,200	\$ 2,493	Vice President/ Investment Officer
Sharon L. Cook	05/16 – 05/20 (Elected)	\$ 6,600	\$ 1,726	Secretary
Allison V. Dunn	05/14 – 05/18 (Elected)	\$ 6,000	\$ 2,347	Assistant Secretary
Eric Daniel	05/16 – 05/20 (Elected)	\$ 3,750	\$ 622	Treasurer

Notes: 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 developers or with any of the District’s consultants, with the exception of Director Dunn who is related to the owner of the company which provides security services to the District.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): July 20, 2015.

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) on June 1, 2006. 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. 368
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2016

<u>Consultants</u>	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2016</u>	<u>Title</u>
Johnson Petrov LLP	02/07/00	\$ 237,687	General Counsel
McCall Gibson Swedlund Barfoot PLLC	04/17/87	\$ 19,500 \$ 4,500	Auditor Other Services
Municipal Accounts & Consulting, L.P.	12/20/05	\$ 46,930	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/10/84	\$ 7,342	Delinquent Tax Attorney
IDS Engineering Group	05/21/92	\$ 182,939	Engineer
Rathmann & Associates, L.P.	05/01/03	\$ -0-	Financial Advisor
Waste Corporation of Texas, L.P.	10/01/06	\$ 183,109	Prior Garbage Collector
Best Trash	09/03/15	\$ 349,920	Garbage Collector
Katherine Turner	12/20/05	\$ -0-	Investment Officer
Eagle Water Management	10/01/01	\$ 762,273	Operator
Harris County	12/19/06	\$ 587,126	Security
Bob Leared Interests	11/12/79	\$ 53,495	Tax Assessor/ Collector

See accompanying independent auditor's report.

