

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MAY 31, 2017**



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# McCALL GIBSON SWEDLUND BARFOOT PLLC

*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

9600 Great Hills Trail  
Suite 150W  
Austin, Texas 78759  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)

## 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

September 21, 2017





**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED MAY 31, 2017**

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, 2017. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The 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, 2017**

**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 and deferred outflows of resources by \$2,002,944 as of May 31, 2017. 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, 2017**

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

Summary of Changes in the Statement of Net Position			
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 13,666,581	\$ 15,313,146	\$ (1,646,565)
Capital Assets (Net of Accumulated Depreciation)	39,903,853	39,547,725	356,128
Total Assets	\$ 53,570,434	\$ 54,860,871	\$ (1,290,437)
Deferred Outflows of Resources	\$ 1,961,722	\$ 2,082,241	\$ (120,519)
Due to Developers	\$ 697,206	\$ 584,477	\$ (112,729)
Bonds Payable	55,123,760	56,858,243	1,734,483
Other Liabilities	1,714,134	1,432,196	(281,938)
Total Liabilities	\$ 57,535,100	\$ 58,874,916	\$ 1,339,816
Net Position:			
Net Investment in Capital Assets	\$ (12,496,542)	\$ (13,994,469)	\$ 1,497,927
Restricted	6,100,106	6,161,158	(61,052)
Unrestricted	4,393,492	5,901,507	(1,508,015)
Total Net Position	\$ (2,002,944)	\$ (1,931,804)	\$ (71,140)

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

Summary of Changes in the Statement of Activities			
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,707,953	\$ 4,634,016	\$ 73,937
Charges for Services	3,896,824	3,707,039	189,785
Other Revenues	274,132	293,389	(19,257)
Total Revenues	\$ 8,878,909	\$ 8,634,444	\$ 244,465
Expenses for Services	8,950,049	8,423,775	(526,274)
Change in Net Position	\$ (71,140)	\$ 210,669	\$ (281,809)
Net Position, Beginning of Year	(1,931,804)	(2,142,473)	210,669
Net Position, End of Year	\$ (2,002,944)	\$ (1,931,804)	\$ (71,140)

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED MAY 31, 2017**

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

The District's combined fund balances as of May 31, 2017, were \$11,519,683, a decrease of \$1,913,166 from the prior year.

The General Fund fund balance decreased by \$1,471,437, primarily due to the capital expenditures and the costs of operating and maintaining the District's systems exceeding tax and operating revenues.

The Debt Service Fund fund balance decreased by \$82,293, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$359,436. The District used surplus bond proceeds to reimburse the General Fund for costs paid for automatic read meters.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$360,750 more than budgeted revenues primarily due to property tax and service revenues being more than estimated. Actual expenditures were \$2,090,169 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, 2017, total \$39,903,853 (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, wastewater and drainage facilities for Ashford Grove East, Section 1 and detention facilities and lift station for Ashford Grove East. The District also purchased and installed various equipment at the District's plants.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,572,300	\$ 2,572,300	\$
Construction in Progress	825,512	135,397	690,115
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	335,696	346,541	(10,845)
Water System	11,341,803	11,912,141	(570,338)
Wastewater System	12,396,656	12,268,768	127,888
Drainage System	12,431,886	12,312,578	119,308
Total Net Capital Assets	<u>\$ 39,903,853</u>	<u>\$ 39,547,725</u>	<u>\$ 356,128</u>



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED MAY 31, 2017**

**LONG-TERM DEBT ACTIVITY**

At year end, the District had total bond debt payable of \$54,440,000. The changes in the debt position of the District during the fiscal year ended May 31, 2017, are summarized as follows:

Bond Debt Payable, June 1, 2016	\$ 56,130,000
Less: Bond Principal Paid	<u>1,690,000</u>
Bond Debt Payable, May 31, 2017	<u>\$ 54,440,000</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, 2017.

**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, 2017**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 291,947	\$ 228,926
Investments	3,719,881	6,359,777
Receivables:		
Property Taxes	13,564	58,719
Penalty and Interest on Delinquent Taxes		
Service Accounts	303,446	
Accrued Interest	5,947	4,411
Other	45,591	
Due from Other Funds	196,229	2,300
Prepaid Costs	92,030	149,220
Regional Water Authority Chloramine Conversion Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>\$ 4,668,635</u>	<u>\$ 6,803,353</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 4,668,635</u>	<u>\$ 6,803,353</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 5	\$ 520,878	\$	\$ 520,878
1,505,878	11,585,536		11,585,536
	72,283		72,283
		16,291	16,291
	303,446		303,446
	10,358		10,358
	45,591		45,591
	198,529	(198,529)	
	241,250	449,707	690,957
		421,241	421,241
		2,572,300	2,572,300
		825,512	825,512
		36,506,041	36,506,041
<u>\$ 1,505,883</u>	<u>\$ 12,977,871</u>	<u>\$ 40,592,563</u>	<u>\$ 53,570,434</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,961,722</u>	<u>\$ 1,961,722</u>
<u>\$ 1,505,883</u>	<u>\$ 12,977,871</u>	<u>\$ 42,554,285</u>	<u>\$ 55,532,156</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, 2017**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 586,020	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	2,300	149,220
Due to Taxpayers		43,560
Security Deposits	557,771	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<u>\$ 1,146,091</u>	<u>\$ 192,780</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	<u>\$ 13,564</u>	<u>\$ 58,719</u>
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 92,030	\$ 149,220
Restricted for Authorized Construction		
Restricted for Debt Service		6,402,634
Unassigned	3,416,950	
<b>TOTAL FUND BALANCES</b>	<u>\$ 3,508,980</u>	<u>\$ 6,551,854</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 4,668,635</u>	<u>\$ 6,803,353</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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



Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 25	\$ 586,045	\$	\$ 586,045
		526,758	526,758
		697,206	697,206
47,009	198,529	(198,529)	
	43,560		43,560
	557,771		557,771
		1,735,000	1,735,000
		53,388,760	53,388,760
<u>\$ 47,034</u>	<u>\$ 1,385,905</u>	<u>\$ 56,149,195</u>	<u>\$ 57,535,100</u>
<u>\$ -0-</u>	<u>\$ 72,283</u>	<u>\$ (72,283)</u>	<u>\$ -0-</u>
\$	\$ 241,250	\$ (241,250)	\$
1,458,849	1,458,849	(1,458,849)	
	6,402,634	(6,402,634)	
	3,416,950	(3,416,950)	
<u>\$ 1,458,849</u>	<u>\$ 11,519,683</u>	<u>\$ (11,519,683)</u>	<u>\$ - 0 -</u>
<u>\$ 1,505,883</u>	<u>\$ 12,977,871</u>		
		\$ (12,496,542)	\$ (12,496,542)
		6,100,106	6,100,106
		4,393,492	4,393,492
		<u>\$ (2,002,944)</u>	<u>\$ (2,002,944)</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, 2017**

Total Fund Balances - Governmental Funds		\$ 11,519,683
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		1,961,722
Prepaid bond insurance is amortized over the repayment period of the bonds in governmental activities.		449,707
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.		421,241
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		39,903,853
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.		(697,206)
Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2016 and prior tax levies became part of recognized revenue in the governmental activities of the District.		88,574
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	\$ (55,123,760)	
Accrued Interest Payable	<u>(526,758)</u>	<u>(55,650,518)</u>
Total Net Position - Governmental Activities		<u>\$ (2,002,944)</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, 2017**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 913,196	\$ 3,785,053
Water Service	904,918	
Wastewater Service	1,700,235	
Regional Water Authority Fees	1,015,544	
Penalty and Interest	69,655	28,398
Tap Connection and Inspection Fees	76,600	
Security Revenues	99,309	
Sales Tax Revenues	116,692	
Water Authority Credits	32,905	
Miscellaneous Revenues	95,371	27,647
<b>TOTAL REVENUES</b>	<u>\$ 5,024,425</u>	<u>\$ 3,841,098</u>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 287,737	\$ 6,037
Contracted Services	1,821,612	90,831
Purchased Water Service	929,593	
Utilities	205,611	
Regional Water Authority Assessment	65,815	
Repairs and Maintenance	926,027	
Depreciation		
Other	493,164	6,217
Capital Outlay	1,766,303	
Debt Service:		
Bond Principal		1,690,000
Bond Interest		2,130,306
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 6,495,862</u>	<u>\$ 3,923,391</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (1,471,437)</u>	<u>\$ (82,293)</u>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - JUNE 1, 2016</b>	4,980,417	6,634,147
<b>FUND BALANCES/NET POSITION - MAY 31, 2017</b>	<u>\$ 3,508,980</u>	<u>\$ 6,551,854</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,698,249	\$ 9,704	\$ 4,707,953
	904,918		904,918
	1,700,235		1,700,235
	1,015,544		1,015,544
	98,053	2,165	100,218
	76,600		76,600
	99,309		99,309
	116,692		116,692
	32,905	(7,199)	25,706
8,716	131,734		131,734
<u>\$ 8,716</u>	<u>\$ 8,874,239</u>	<u>\$ 4,670</u>	<u>\$ 8,878,909</u>
\$	\$ 293,774	\$	\$ 293,774
575	1,913,018		1,913,018
	929,593		929,593
	205,611		205,611
	65,815		65,815
363,951	1,289,978		1,289,978
		1,522,904	1,522,904
3,626	503,007		503,007
	1,766,303	(1,766,303)	
	1,690,000	(1,690,000)	
	2,130,306	96,043	2,226,349
<u>\$ 368,152</u>	<u>\$ 10,787,405</u>	<u>\$ (1,837,356)</u>	<u>\$ 8,950,049</u>
\$ (359,436)	\$ (1,913,166)	\$ 1,913,166	\$
		(71,140)	(71,140)
1,818,285	13,432,849	(15,364,653)	(1,931,804)
<u>\$ 1,458,849</u>	<u>\$ 11,519,683</u>	<u>\$ (13,522,627)</u>	<u>\$ (2,002,944)</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, 2017**

Net Change in Fund Balances - Governmental Funds	\$ (1,913,166)
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.	9,704
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	2,165
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.	(7,199)
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.	(1,522,904)
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.	1,766,303
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.	1,690,000
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.	(96,043)
Change in Net Position - Governmental Activities	<u>\$ (71,140)</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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

**NOTE 3. LONG-TERM DEBT**

	Series 2009	Refunding Series 2010	Refunding Series 2012
Amounts Outstanding – May 31, 2017	\$100,000	\$10,520,000	\$8,835,000
Interest Rates	5.00%	3.50% - 4.50%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2017	September 1, 2017/2030	September 1, 2017/2032
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2016*	September 1, 2017*	September 1, 2019 *
	Series 2012	Refunding Series 2013	Refunding Series 2013A
Amounts Outstanding – May 31, 2017	\$4,650,000	\$7,380,000	\$4,795,000
Interest Rates	2.10% - 4.10%	3.00% - 4.00%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2017/2039	September 1, 2017/2033	September 1, 2017/2024
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2019 *	September 1, 2020 *	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, 2017**

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

	Series 2014	Refunding Series 2015	Refunding Series 2015A
Amounts Outstanding – May 31, 2017	\$2,500,000	\$7,935,000	\$7,725,000
Interest Rates	4.00% - 6.00%	2.00% - 4.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2017/2039	September 1, 2017/2034	September 1, 2017/2036
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2021 *	September 1, 2022 *	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.

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

	June 1, 2016	Additions	Retirements	May 31, 2017
Bonds Payable	\$ 56,130,000	\$	\$ 1,690,000	\$ 54,440,000
Unamortized Discounts	(414,002)		(30,507)	(383,495)
Unamortized Premiums	1,142,245		74,990	1,067,255
Bonds Payable, Net	<u>\$ 56,858,243</u>	<u>\$ -0-</u>	<u>\$ 1,734,483</u>	<u>\$ 55,123,760</u>
		Amount Due Within One Year		\$ 1,735,000
		Amount Due After One Year		<u>53,388,760</u>
		Bonds Payable, Net		<u>\$ 55,123,760</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

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

As of May 31, 2017, 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, 2017, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
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
2023-2027	11,015,000	8,037,145	19,052,145
2028-2032	13,510,000	5,643,547	19,153,547
2033-2037	15,330,000	2,636,436	17,966,436
2038-2040	5,275,000	350,844	5,625,844
	<u>\$ 54,440,000</u>	<u>\$ 26,478,611</u>	<u>\$ 80,918,611</u>

During the year ended May 31, 2017, the District levied an ad valorem debt service tax rate of \$0.58 per \$100 of assessed valuation, which resulted in a tax levy of \$3,796,583 on the adjusted taxable valuation of \$654,583,182 for the 2016 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.

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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**  
(Continued)

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 \$5,240,878 and the bank balance was \$5,399,923. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2017, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 291,947	\$ 2,320,000	\$ 2,611,947
DEBT SERVICE FUND	228,926	2,400,000	2,628,926
CAPITAL PROJECTS FUND	5		5
TOTAL DEPOSITS	<u>\$ 520,878</u>	<u>\$ 4,720,000</u>	<u>\$ 5,240,878</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

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

Investments (Continued)

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.

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. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2017**

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

Investments (Continued)

As of May 31, 2017, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 1,399,881	\$ 1,399,881
Certificates of Deposit	2,320,000	2,320,000
<u>DEBT SERVICE FUND</u>		
TexPool	3,959,777	3,959,777
Certificates of Deposit	2,400,000	2,400,000
<u>CAPITAL PROJECTS FUND</u>		
TexPool	1,505,878	1,505,878
<b>TOTAL INVESTMENTS</b>	<b>\$ 11,585,536</b>	<b>\$ 11,585,536</b>

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

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended May 31, 2017:

	June 1, 2016	Increases	Decreases	May 31, 2017
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 2,572,300	\$	\$	\$ 2,572,300
Construction in Progress	135,397	1,879,032	1,188,917	825,512
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 2,707,697</u>	<u>\$ 1,879,032</u>	<u>\$ 1,188,917</u>	<u>\$ 3,397,812</u>
<b>Capital Assets Subject to Depreciation</b>				
Building and Equipment	\$ 441,673	\$	\$	\$ 441,673
Water System	17,943,514	46,181		17,989,695
Wastewater System	19,331,644	650,041		19,981,685
Drainage System	16,684,242	492,695		17,176,937
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 54,401,073</u>	<u>\$ 1,188,917</u>	<u>\$ - 0 -</u>	<u>\$ 55,589,990</u>
<b>Less Accumulated Depreciation</b>				
Building and Equipment	\$ 95,132	\$ 10,845	\$	\$ 105,977
Water System	6,031,373	616,519		6,647,892
Wastewater System	7,062,876	522,153		7,585,029
Drainage System	4,371,664	373,387		4,745,051
<b>Total Accumulated Depreciation</b>	<u>\$ 17,561,045</u>	<u>\$ 1,522,904</u>	<u>\$ - 0 -</u>	<u>\$ 19,083,949</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 36,840,028</u>	<u>\$ (333,987)</u>	<u>\$ - 0 -</u>	<u>\$ 36,506,041</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 39,547,725</u>	<u>\$ 1,545,045</u>	<u>\$ 1,188,917</u>	<u>\$ 39,903,853</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, 2017, the District levied an ad valorem maintenance tax rate of \$0.14 per \$100 of assessed valuation, which resulted in a tax levy of \$916,416 on the adjusted taxable valuation of \$654,583,182 for the 2016 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, 2017**

**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 75<sup>th</sup> 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 \$2.90 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$65,815 for pumpage fees assessed during the current fiscal year. The District also purchased surface water from the Authority at a total cost of \$929,593 during the current fiscal year. The current surface water rate is \$3.35 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, 2017**

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

received in the current fiscal year were \$32,905. Of this amount, \$7,199 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
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	9,633	23,272	32,905
2023-2027	57,563	106,962	164,525
2028-2032	77,033	87,493	164,526
2033-2037	103,087	61,438	164,525
2038-2042	137,954	26,572	164,526
2043	2,590	155	2,745
	<u>\$ 421,241</u>	<u>\$ 404,131</u>	<u>\$ 825,372</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, 2017, the District received sales tax revenues of \$116,692. 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, 2017**

**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, 2017, the District recorded a liability to developers of \$697,206 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, 2017, the General Fund owed the Debt Service Fund \$2,300 for the over transfer of maintenance tax collections the Debt Service Fund owed the General Fund \$149,220 for costs related to the Series 2017 Refunding Bonds and the Capital Projects Fund owed the General Fund \$47,009 for costs related to funds approved to be used to purchase automatic read meters.

**NOTE 14. USE OF SURPLUS FUNDS**

On November 21, 2016, the District received approval from the Commission to use \$1,105,875 of surplus Capital Projects Fund money to reimburse the General Fund for costs paid for automatic read meters.

**NOTE 15. SUBSEQUENT EVENTS – BOND SALES**

On June 12, 2017, subsequent to year-end, the District issued \$9,150,000 of Unlimited Tax Refunding Bonds, Series 2017, to refund \$9,345,000 of the Series 2010 Refunding bonds with maturities of 2020 through 2030, interest rates of 4.00% to 4.50%, and a redemption date of September 1, 2017. The refunding resulted in gross debt service savings of \$742,701 and net present value savings of \$597,755.

On September 14, 2017, subsequent to year-end, the District issued its \$1,830,000 Unlimited Tax Bonds, Series 2017. The proceeds were used to reimburse the developer for the construction and engineering for storm drainage facilities to serve Ashford Grove East, Section 1 and Ashford Grove East detention facilities and lift station. Additional proceeds were used to fund bond issuance costs.



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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**

**REQUIRED SUPPLEMENTARY INFORMATION**

**MAY 31, 2017**

DRAFT SUBJECT TO CHANGE





**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, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 900,000	\$ 913,196	\$ 13,196
Water Service	880,000	904,918	24,918
Wastewater Service	1,600,000	1,700,235	100,235
Regional Water Authority Fee	855,000	1,015,544	160,544
Penalty and Interest	68,000	69,655	1,655
Tap Connection and Inspection Fees	49,750	76,600	26,850
Security Revenues	94,000	99,309	5,309
Sales Tax Revenues	140,000	116,692	(23,308)
Miscellaneous Revenues	76,925	128,276	51,351
<b>TOTAL REVENUES</b>	<b>\$ 4,663,675</b>	<b>\$ 5,024,425</b>	<b>\$ 360,750</b>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 216,000	\$ 287,737	\$ (71,737)
Contracted Services	1,592,731	1,821,612	(228,881)
Utilities	209,499	205,611	3,888
Regional Water Authority Costs	885,000	995,408	(110,408)
Repairs and Maintenance	733,840	926,027	(192,187)
Other	519,623	493,164	26,459
Capital Outlay	249,000	1,766,303	(1,517,303)
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,405,693</b>	<b>\$ 6,495,862</b>	<b>\$ (2,090,169)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 257,982</b>	<b>\$ (1,471,437)</b>	<b>\$ (1,729,419)</b>
<b>FUND BALANCE - JUNE 1, 2016</b>	<b>4,980,417</b>	<b>4,980,417</b>	
<b>FUND BALANCE - MAY 31, 2017</b>	<b>\$ 5,238,399</b>	<b>\$ 3,508,980</b>	<b>\$ (1,729,419)</b>

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, 2017**



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED MAY 31, 2017**

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

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

**2. RETAIL SERVICE PROVIDERS**

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

Based on the rate order effective March 20, 2014.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
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	\$3.69 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: \$36.90

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED MAY 31, 2017**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>3,783</u>	<u>3,783</u>	x 1.0	<u>3,783</u>
1"	<u>14</u>	<u>14</u>	x 2.5	<u>35</u>
1½"	<u>4</u>	<u>4</u>	x 5.0	<u>20</u>
2"	<u>28</u>	<u>28</u>	x 8.0	<u>224</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>3,835</u>	<u>3,835</u>		<u>4,212</u>
Total Wastewater Connections	<u>3,754</u>	<u>3,754</u>	x 1.0	<u>3,754</u>

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

Gallons pumped into system:	27,892,000	Water Accountability Ratio: 96.7% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	319,942,000	
Gallons purchased:	302,865,000	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, 2017**

**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, 2017

### PROFESSIONAL FEES:

Auditing	\$ 20,400
Engineering	140,525
Legal	<u>126,812</u>

TOTAL PROFESSIONAL FEES \$ 287,737

### PURCHASED SERVICES FOR RESALE:

Purchased Water Service	\$ <u>929,593</u>
-------------------------	-------------------

### CONTRACTED SERVICES:

Bookkeeping	\$ 40,274
Operations and Billing	<u>240,007</u>

TOTAL CONTRACTED SERVICES \$ 280,281

### UTILITIES:

Electricity	\$ 196,830
Telephone	<u>8,781</u>

TOTAL UTILITIES \$ 205,611

REPAIRS AND MAINTENANCE \$ 926,027

### ADMINISTRATIVE EXPENDITURES:

Bank Charges	\$ 6,368
Director Fees	26,850
Dues	580
Election Costs	1,907
Insurance	33,949
Legal Notices	44
Office Supplies and Postage	61,557
Payroll Taxes	2,154
Travel and Meetings	16,156
Water Smart Program	8,000
Website Hosting	3,764
Other	<u>1,200</u>

TOTAL ADMINISTRATIVE EXPENDITURES \$ 162,529

CAPITAL OUTLAY \$ 1,766,303

TAP CONNECTIONS \$ 47,750

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED MAY 31, 2017**

SOLID WASTE DISPOSAL/RECYCLING	\$ 664,591
SECURITY	\$ 876,740
OTHER EXPENDITURES:	
Chemicals	\$ 56,475
Fuel	8,916
Laboratory Fees	15,575
Permit Fees	15,968
Reconnection Fees	51,805
Inspection Fees	8,075
Regional Water Authority Assessment	65,815
Regulatory Assessment	12,927
Sludge Hauling	80,706
Other	32,438
TOTAL OTHER EXPENDITURES	\$ 348,700
TOTAL EXPENDITURES	\$ 6,495,862

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

## INVESTMENTS

### MAY 31, 2017

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<b>GENERAL FUND</b>					
TexPool	XXXX0003	Varies	Daily	\$ 1,399,881	\$
Certificate of Deposit	XXXX0337	0.80%	05/26/18	240,000	26
Certificate of Deposit	XXXX1914	0.50%	12/19/17	215,000	480
Certificate of Deposit	XXXX2875	0.51%	08/28/17	95,000	366
Certificate of Deposit	XXXX2126	0.50%	08/03/17	240,000	990
Certificate of Deposit	XXXX3875	0.50%	01/05/18	140,000	280
Certificate of Deposit	XXXX0407	0.70%	03/09/18	95,000	151
Certificate of Deposit	XXXX8865	0.65%	04/18/18	240,000	201
Certificate of Deposit	XXXX0536	0.70%	05/17/18	240,000	64
Certificate of Deposit	XXXX7732	0.90%	11/30/17	240,000	1,124
Certificate of Deposit	XXXX0518	0.50%	07/16/17	240,000	1,049
Certificate of Deposit	XXXX1703	0.40%	08/24/17	95,000	292
Certificate of Deposit	XXXX7703	0.50%	08/23/17	240,000	924
<b>TOTAL GENERAL FUND</b>				<b>\$ 3,719,881</b>	<b>\$ 5,947</b>
<b>DEBT SERVICE FUND</b>					
TexPool	XXXX0001	Varies	Daily	\$ 3,959,777	\$
Certificate of Deposit	XXXX6106	0.50%	08/13/17	240,000	349
Certificate of Deposit	XXXX0353	0.70%	02/10/18	240,000	506
Certificate of Deposit	XXXX3888	0.40%	08/16/17	240,000	271
Certificate of Deposit	XXXX7704	0.50%	08/24/17	240,000	921
Certificate of Deposit	XXXX6693	0.51%	02/10/18	240,000	369
Certificate of Deposit	XXXX0320	0.90%	02/13/18	240,000	633
Certificate of Deposit	XXXX3234	0.51%	02/09/18	240,000	372
Certificate of Deposit	XXXX0105	0.35%	08/15/17	240,000	244
Certificate of Deposit	XXXX2225	0.50%	02/08/18	240,000	368
Certificate of Deposit	XXXX1532	0.50%	02/05/18	240,000	378
<b>TOTAL DEBT SERVICE FUND</b>				<b>\$ 6,359,777</b>	<b>\$ 4,411</b>
<b>CAPITAL PROJECTS FUND</b>					
TexPool	XXXX0006	Varies	Daily	\$ 1,050,410	\$
TexPool	XXXX0007	Varies	Daily	455,468	
<b>TOTAL CAPITAL PROJECTS FUND</b>				<b>\$ 1,505,878</b>	<b>\$ - 0 -</b>
<b>TOTAL - ALL FUNDS</b>				<b>\$ 11,585,536</b>	<b>\$ 10,358</b>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED MAY 31, 2017**

	Maintenance Taxes		Debt Service Taxes	
DRAFT SUBJECT TO CHANGE				
TAXES RECEIVABLE -				
JUNE 1, 2016	\$	11,299	\$	51,280
Adjustments to Beginning				
Balance		<u>(955)</u>	<u>(4,091)</u>	\$ 47,189
Original 2016 Tax Levy	\$	829,480	\$	3,436,419
Adjustment to 2016 Tax Levy		<u>86,936</u>	<u>360,164</u>	<u>3,796,583</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 926,760		\$ 3,843,772
TAX COLLECTIONS:				
Prior Years	\$	6,985	\$	30,751
Current Year		<u>906,211</u>	<u>3,754,302</u>	<u>3,785,053</u>
TAXES RECEIVABLE -				
MAY 31, 2017		<u>\$ 13,564</u>		<u>\$ 58,719</u>
TAXES RECEIVABLE BY				
YEAR:				
2016	\$	10,205	\$	42,281
2015		1,118		4,771
2014		742		3,561
2013		541		2,933
2012		464		2,516
2011		226		1,149
2010		118		664
2009		<u>150</u>		<u>844</u>
TOTAL	\$	13,564	\$	58,719

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED MAY 31, 2017**

	2016	2015	2014	2013
PROPERTY VALUATIONS:				
Land	\$ 143,249,593	\$ 136,623,005	\$ 130,623,043	\$ 125,621,361
Improvements	573,532,231	525,169,482	451,930,120	360,499,119
Personal Property	27,706,479	23,845,810	20,581,538	20,403,455
Exemptions	(89,905,121)	(98,126,919)	(88,750,894)	(60,689,451)
TOTAL PROPERTY VALUATIONS	<u>\$ 654,583,182</u>	<u>\$ 587,511,378</u>	<u>\$ 514,383,807</u>	<u>\$ 445,834,484</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.58	\$ 0.64	\$ 0.72	\$ 0.840
Maintenance	<u>0.14</u>	<u>0.15</u>	<u>0.15</u>	<u>0.155</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.72</u>	<u>\$ 0.79</u>	<u>\$ 0.87</u>	<u>\$ 0.995</u>
ADJUSTED TAX LEVY*	<u>\$ 4,712,999</u>	<u>\$ 4,641,340</u>	<u>\$ 4,475,139</u>	<u>\$ 4,436,054</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.89 %</u>	<u>99.87 %</u>	<u>99.90 %</u>	<u>99.92 %</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, 2017**

Due During Fiscal Years Ending May 31	S E R I E S - 2 0 0 9			Total
	Principal Due September 1	Interest Due September 1/ March 1		
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				
	<u>\$ 100,000</u>	<u>\$ 2,500</u>	<u>\$</u>	<u>102,500</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

REFUNDING SERIES - 2010			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
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>\$ 10,520,000</u>	<u>\$ 3,894,440</u>	<u>\$ 14,414,440</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

Due During Fiscal Years Ending May 31	S E R I E S - 2 0 1 2			Total
	Principal Due September 1	Interest Due September 1/ March 1		
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>\$ 4,650,000</u>	<u>\$ 3,607,850</u>	<u>\$</u>	<u>8,257,850</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

REFUNDING SERIES - 2012				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
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>\$ 8,835,000</u>	<u>\$ 4,002,000</u>	<u>\$</u>	<u>12,837,000</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

REFUNDING SERIES - 2013				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
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>\$ 7,380,000</u>	<u>\$ 3,511,912</u>	<u>\$</u>	<u>10,891,912</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

REFUNDING SERIES - 2013 A				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
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>\$ 4,795,000</u>	<u>\$ 720,000</u>	<u>\$</u>	<u>5,515,000</u>

See accompanying independent auditor's report.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

Due During Fiscal Years Ending May 31	S E R I E S - 2 0 1 4			Total
	Principal Due September 1	Interest Due September 1/ March 1		
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>\$ 2,500,000</u>	<u>\$ 2,170,093</u>	<u>\$</u>	<u>4,670,093</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

REFUNDING SERIES - 2015				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
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>\$ 7,935,000</u>	<u>\$ 3,728,750</u>	<u>\$</u>	<u>11,663,750</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MAY 31, 2017**

REFUNDING SERIES-2015A				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
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>\$ 7,725,000</u>	<u>\$ 4,841,066</u>	<u>\$</u>	<u>12,566,066</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, 2017**

ANNUAL REQUIREMENTS FOR ALL SERIES			
Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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>\$ 54,440,000</u>	<u>\$ 26,478,611</u>	<u>\$ 80,918,611</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED MAY 31, 2017**

Description	Original Bonds Issued	Bonds Outstanding June 1, 2016
Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2009	\$ 7,795,000	\$ 200,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2010	12,835,000	10,880,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2012	8,995,000	8,875,000
Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2012	4,710,000	4,675,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2013	8,205,000	7,735,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2013A	5,930,000	5,330,000
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	7,770,000	7,770,000
<b>TOTAL</b>	<b>\$ 66,905,000</b>	<b>\$ 56,130,000</b>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding May 31, 2017	Paying Agent
	Principal	Interest		
\$	\$ 100,000	\$ 7,500	\$ 100,000	Wells Fargo Bank N.A. Dallas, TX
	360,000	441,912	10,520,000	Wells Fargo Bank N.A. Dallas, TX
	40,000	344,725	8,835,000	Wells Fargo Bank N.A. Dallas, TX
	25,000	185,400	4,650,000	Wells Fargo Bank N.A. Dallas, TX
	355,000	283,075	7,380,000	Wells Fargo Bank N.A. Dallas, TX
	535,000	171,025	4,795,000	Wells Fargo Bank N.A. Dallas, TX
	20,000	118,537	2,500,000	Wells Fargo Bank N.A. Dallas, TX
	210,000	290,100	7,935,000	Wells Fargo Bank N.A. Minneapolis, MN
	45,000	288,032	7,725,000	Wells Fargo Bank N.A. Minneapolis, MN
\$ - 0 -	\$ 1,690,000	\$ 2,130,306	\$ 54,440,000	

See accompanying independent auditor's report.



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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED MAY 31, 2017**

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, 2017:		<u>\$ 6,588,703</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 3,518,200</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		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 913,196	\$ 881,334	\$ 769,604
Water Service	904,918	897,916	862,680
Wastewater Service	1,700,235	1,698,150	1,653,455
Regional Water Authority Fees	1,015,544	880,009	812,598
Penalty and Interest	69,655	71,092	64,844
Tap Connection and Inspection Fees	76,600	57,100	90,300
Security Revenues	99,309	72,790	94,871
Sales Tax Revenues	116,692	134,147	129,581
Water Authority Credits	32,905	32,905	32,905
Miscellaneous Revenues	95,371	98,304	122,913
<b>TOTAL REVENUES</b>	<b>\$ 5,024,425</b>	<b>\$ 4,823,747</b>	<b>\$ 4,633,751</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 287,737	\$ 354,832	\$ 238,206
Contracted Services	1,821,612	1,620,234	1,511,074
Purchased Water	929,593	699,081	725,418
Utilities	205,611	224,524	212,729
Regional Water Authority Assessments	65,815	118,404	51,520
Repairs and Maintenance	926,027	876,126	913,176
Other	493,164	510,536	579,654
Capital Outlay	1,766,303	457,826	139,770
Note Payments			9,220
<b>TOTAL EXPENDITURES</b>	<b>\$ 6,495,862</b>	<b>\$ 4,861,563</b>	<b>\$ 4,380,767</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (1,471,437)</b>	<b>\$ (37,816)</b>	<b>\$ 252,984</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	\$ - 0 -	\$ - 0 -	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (1,471,437)</b>	<b>\$ (37,816)</b>	<b>\$ 252,984</b>
<b>BEGINNING FUND BALANCE</b>	<b>4,980,417</b>	<b>5,018,233</b>	<b>4,765,249</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 3,508,980</b>	<b>\$ 4,980,417</b>	<b>\$ 5,018,233</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014	2013	2017	2016	2015	2014	2013
\$ 689,141	\$ 638,134	18.3 %	18.4 %	16.7 %	15.2 %	14.8 %
894,845	866,846	17.9	18.5	18.6	19.6	20.3
1,593,671	1,536,207	33.8	35.2	35.7	35.0	35.9
830,894	784,110	20.2	18.2	17.5	18.2	18.3
63,855	53,674	1.4	1.5	1.4	1.4	1.3
142,386	89,300	1.5	1.2	1.9	3.1	2.1
94,313	76,050	2.0	1.5	2.0	2.1	1.8
134,665	124,635	2.3	2.8	2.8	3.0	2.9
47,561	45,903	0.7	0.7	0.7	1.0	1.1
62,811	64,089	1.9	2.0	2.7	1.4	1.5
<u>\$ 4,554,142</u>	<u>\$ 4,278,948</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 229,743	\$ 312,572	5.7 %	7.4 %	5.1 %	5.0 %	7.3 %
1,407,785	1,382,549	36.3	33.6	32.6	30.9	32.3
663,097	653,664	18.5	14.5	15.7	14.6	15.3
207,216	220,308	4.1	4.7	4.6	4.6	5.1
91,119	69,230	1.3	2.5	1.1	2.0	1.6
837,146	726,466	18.4	18.2	19.7	18.4	17.0
481,553	496,280	9.8	10.6	12.5	10.6	11.6
281,319	48,709	35.2	9.5	3.0	6.2	1.1
10,055	10,054			0.2	0.2	0.2
<u>\$ 4,209,033</u>	<u>\$ 3,919,832</u>	<u>129.3 %</u>	<u>101.0 %</u>	<u>94.5 %</u>	<u>92.5 %</u>	<u>91.5 %</u>
\$ 345,109	\$ 359,116	(29.3) %	(1.0) %	5.5 %	7.5 %	8.5 %
\$ 78,734	\$ - 0 -					
\$ 423,843	\$ 359,116					
<u>4,341,406</u>	<u>3,982,290</u>					
<u>\$ 4,765,249</u>	<u>\$ 4,341,406</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		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 3,785,053	\$ 3,764,990	\$ 3,698,978
Penalty and Interest	28,398	28,812	29,668
Miscellaneous Revenues	27,647	17,142	12,897
<b>TOTAL REVENUES</b>	<u>\$ 3,841,098</u>	<u>\$ 3,810,944</u>	<u>\$ 3,741,543</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 97,785	\$ 96,666	\$ 98,638
Debt Service Principal	1,690,000	1,560,000	1,070,000
Debt Service Interest and Fees	2,135,606	2,119,276	2,425,985
Bond Issuance Costs		9,000	691,344
Payment to Escrow Agent			103,000
<b>TOTAL EXPENDITURES</b>	<u>\$ 3,923,391</u>	<u>\$ 3,784,942</u>	<u>\$ 4,388,967</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (82,293)</u>	<u>\$ 26,002</u>	<u>\$ (647,424)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the Sale of Refunding Bonds	\$	\$	\$ 15,915,000
Transfer to Refunded Bond Escrow Agent			(15,842,887)
Bond Premium			635,823
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 707,936</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (82,293)</u>	<u>\$ 26,002</u>	<u>\$ 60,512</u>
<b>BEGINNING FUND BALANCE</b>	<u>6,634,147</u>	<u>6,608,145</u>	<u>6,547,633</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 6,551,854</u>	<u>\$ 6,634,147</u>	<u>\$ 6,608,145</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>3,835</u>	<u>3,798</u>	<u>3,762</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>3,754</u>	<u>3,718</u>	<u>3,685</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014	2013	2017	2016	2015	2014	2013
\$ 3,734,591	\$ 3,456,570	98.6 %	98.8 %	98.9 %	98.6 %	98.2 %
28,999	36,827	0.7	0.8	0.8	0.8	1.0
22,915	28,409	0.7	0.4	0.3	0.6	0.8
<u>\$ 3,786,505</u>	<u>\$ 3,521,806</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 97,700	\$ 96,092	2.5 %	2.5 %	2.6 %	2.6 %	2.7 %
1,920,000	1,280,000	44.0	40.9	28.6	50.7	36.3
2,177,740	2,383,438	55.6	55.6	64.8	57.5	67.7
317,210	495,465		0.2	18.5	8.4	14.1
9,000	21,000			2.8	0.2	0.6
<u>\$ 4,521,650</u>	<u>\$ 4,275,995</u>	<u>102.1 %</u>	<u>99.2 %</u>	<u>117.3 %</u>	<u>119.4 %</u>	<u>121.4 %</u>
\$ (735,145)	\$ (754,189)	(2.1) %	0.8 %	(17.3) %	(19.4) %	(21.4) %
\$ 5,930,000	\$ 8,205,000					
(5,826,735)	(7,989,210)					
218,995	286,617					
<u>\$ 322,260</u>	<u>\$ 502,407</u>					
\$ (412,885)	\$ (251,782)					
6,960,518	7,212,300					
<u>\$ 6,547,633</u>	<u>\$ 6,960,518</u>					
3,689	3,540					
<u>3,614</u>	<u>3,465</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**MAY 31, 2017**

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 May 31, 2017	Expense Reimbursements for the year ended May 31, 2017	Title
Roy P. Lackey	05/14 – 05/18 (Elected)	\$ 6,300	\$ 4,159	President
Tiffani C. Bishop	05/16 – 05/20 (Elected)	\$ 5,850	\$ 2,679	Vice President/ Investment Officer
Sharon L. Cook	05/16 – 05/20 (Elected)	\$ 5,700	\$ 989	Secretary
Allison V. Dunn	05/14 – 05/18 (Elected)	\$ 5,550	\$ 2,798	Assistant Secretary
Eric Daniel	05/16 – 05/20 (Elected)	\$ 3,450	\$ 1,200	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):  
\_\_\_\_\_

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, 2017**

<u>Consultants</u>	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2017</u>	<u>Title</u>
Johnson Petrov LLP	02/07/00	\$ 131,921	General Counsel
McCall Gibson Swedlund Barfoot PLLC	04/17/87	\$ 20,400 \$ 3,500	Auditor Other Services
Municipal Accounts & Consulting, L.P.	12/20/05	\$ 46,383	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/10/84	\$ 6,037	Delinquent Tax Attorney
IDS Engineering Group	05/21/92	\$ 254,427	Engineer
Rathmann & Associates, L.P.	05/01/03	\$ 115,875	Financial Advisor
Best Trash	09/03/15	\$ 540,387	Garbage Collector
Katherine Turner	12/20/05	\$ -0-	Investment Officer
Eagle Water Management	10/01/01	\$ 1,123,958	Operator
Harris County	12/19/06	\$ 674,652	Security
Bob Leared Interests	11/12/79	\$ 51,919	Tax Assessor/ Collector

See accompanying independent auditor's report.

