

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting Thursday, September 20, 2018

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 368 (the "District") met in regular session, open to the public, at 6:30 p.m. on Thursday, September 20, 2018, at the District meeting place located outside the District, whereupon the roll was called of the members of the Board to-wit:

| | |
|-------------------|-----------------------------------|
| Roy P. Lackey | President |
| Tiffani C. Bishop | Vice President/Investment Officer |
| Sharon L. Cook | Secretary |
| Eric Daniel | Treasurer |
| Allison V. Dunn | Assistant Secretary |

All members of the Board were present, thus constituting a quorum. Consultants in attendance were: Mike Plunkett and Erica Martinez of Eagle Water Management, Inc. ("Operator" or "Eagle"); Kristen Scott of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); Matthew Carpenter, P.E. and Kameron Pugh, E.I.T., of IDS Engineering Group ("IDS" or "Engineer"); Kaye Townley of Municipal Accounts and Consulting, L.P. ("MAC" or "Bookkeeper"); Craig Rathmann of Rathmann and Associates L.P. ("Financial Advisor"); Sergeant Walton of the Harris County Precinct 4 Constable's Office ("HCCO"); Andrew Dunn and Dorian Santana of On-Site Protection, LLC (the "Security Coordinator"); Jennifer Day, C.P.A. of McCall Gibson Swedlund Barfoot PLLC ("Auditor"); and Andrew Johnson, III, attorney, of Johnson Petrov LLP ("JP" or "Attorney").

The President called the meeting to order at 6:33 p.m. and in accordance with the notice posted pursuant to law, the following business was transacted:

I. **Public Comment.** There was no public comment.

II. **Security Report.** Sergeant Walton presented to and reviewed with the Board the Security Report, a copy of which is attached hereto as Exhibit "A". Mr. Dunn next discussed the internet performance report for District facilities. Mr. Dunn reported that the District's Agreement with Comcast has expired and a new Agreement will be presented to the Board at the next Board meeting. Director Bishop stated that Comcast should issue a credit to the District for any services billed but not received by the District.

III. **General Business.**

A. **District's Website.** There were no matters to report.

B. **Emergency Operations and Repairs to District facilities.** Mr. Plunkett reported that the information requested by the Texas Commission on Environmental Quality ("TCEQ") related to the inspection held on August 17, 2018, has been

V. **Bookkeeper's Report.** Ms. Townley reviewed the Bookkeeping Report, a copy of which is attached hereto as Exhibit "E".

Next, upon motion by Director Cook, seconded by Director Lackey, after full discussion, and with all Directors present voting aye, the Board voted to: (i) approve the Bookkeeper's Report; and (ii) authorize payment of Check Nos. 16508 through 16590 from the Operating Fund.

VI. **Engineer's Report.** Mr. Pugh reviewed photos of the Northern Point Stormwater Quality Inlet Structure and piping noting that the Contractor has a few modifications left to complete the project.

VII. **Developer's Report.** There was no report.

VIII. **Attorney's Report.**

A. Minutes of September 6, 2018 Board meeting. This matter was tabled until later in the meeting.

B. Memo Regarding Potential Issues with Board Member Employed by District Contractor ("Memo"). Mr. Johnson presented to and reviewed with the Board the Memo, a copy of which is attached hereto as Exhibit "F". Mr. Johnson stated that Director Dunn wishes to work as an office assistant for On-Site. JP has researched the issue and determined that neither Director Dunn nor the Board will violate the Conflict of Interest or Nepotism statute if Director Dunn becomes employed by On-Site, assuming that On-Site is a corporate entity and not an alter-ego of Andrew Dunn. Mr. Johnson recommended that Director Dunn execute a new conflicts waiver as requested by State law.

[Mr. Rathmann entered the meeting.]

IX. **Financial Advisor's Report - Maximum Tax Calculation for 2018.** The President recognized Mr. Rathmann who presented to and reviewed with the Board the Tax Recommendation for 2018, a copy of which is attached hereto as Exhibit "G". Mr. Rathmann noted that the District will be levying a tax against approximately \$705 million of taxable value, which is an increase from \$691 million value assessed last year. He further stated that average home taxable values have increased from approximately \$161,711 in 2017 to approximately \$166,594 in 2018. Mr. Rathmann recommended the Board levy the total tax of \$0.70 per year comprised of \$0.55 per \$100 for debt service and \$0.15 per \$100 for maintenance and operations. The District had levied the total tax rate of \$0.70 per \$100 of assessed valuation in 2017.

Next, upon motion by Director Cook, seconded by Director Daniel after full discussion and with all Directors present voting aye, the Board authorized the Tax Collector to (i) publish notice of a proposed total tax rate of \$0.70 per \$100 of assessed value, comprised of \$0.55 per \$100 for

debt service and \$0.15 per \$100 for maintenance and operations; and (ii) publish notice of a public hearing on such proposed rate for October 18, 2018 at 6:30 p.m.

[Mr. Rathmann departed the meeting.]

X. **General Matters (continued).**

- A. **Recycling Service Proposals.** The Board next reviewed recycling service proposals received from RRRT, Best Trash, and Texas Pride, copies of which are attached hereto as Exhibit "H", "H-1", and "H-2". It was noted that the contract would be for 22 months or from December 1, 2018 until September 30, 2020. Best Trash has indicated that they would not be able to add the recycling services for a 22 month term to the current Garbage Collection Agreement due to the start up expenses. Discussion ensued after which the Board considered proposals submitted by RRRT and Texas Pride for 18-gallon bin service.

Next, upon motion by Director Cook, seconded by Director Dunn, after full discussion and with all Directors present voting aye, the Board accepted the proposal from Texas Pride for 18-gallon bin service at a rate of \$3.05 per home, subject to execution of an Agreement with Texas Pride.

- B. **Recycling Agreement with RRRT.** Upon motion by Director Cook, seconded by Director Dunn, after full discussion and with all Directors present voting aye, the Board authorized JP to prepare and send a 60-day non-renewal notice to RRRT.

XI. **Attorney's Report.**

Minutes of September 6, 2018 Board meeting. Upon motion by Director Cook, seconded by Director Dunn, after full discussion and with all Directors present voting aye, the Board approved the minutes of the September 6, 2018 Board meeting, as amended.

- XII. **Adjournment.** With no additional matters before the Board, the Board adjourned the meeting at 8:20 p.m.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 4th day of October, 2018.


Secretary, Board of Directors



Exhibits:

- "A" Security Report
- "B" RRRT Report
- "C" Draft Audit
- "D" Tax Collector Report
- "E" Bookkeeper Report
- "F" Memo
- "G" Tax Rate Recommendation
- "H" RRRT Proposal
- "H-1" Best Trash Proposal
- "H-2" Texas Pride proposal



HARRIS COUNTY CONSTABLE, PRECINCT 4

CONSTABLE MARK HERMAN

"Proudly Serving the Citizens of Precinct 4"

6831 Cypresswood Drive ★ Spring, Texas 77379 ★ (281) 376-3472 ★ www.ConstablePct4.com

Monthly Contract Stats

HARRIS CO MUNICIPAL UTILITY 368

For August 2018

Categories

| | | |
|------------------------|-------------------------|-----------------------|
| Burglary Habitation: 0 | Burglary Vehicle: 1 | Theft Habitation: 1 |
| Theft Vehicle: 1 | Theft Other: 0 | Robbery: 1 |
| Assault: 0 | Sexual Assault: 0 | Criminal Mischief: 3 |
| Disturbance Family: 4 | Disturbance Juvenile: 0 | Disturbance Other: 23 |
| Alarms: 26 | Suspicious Vehicles: 21 | Suspicious Persons: 9 |
| Runaways: 0 | Phone Harrassment: 0 | Other Calls: 118 |

Detailed Statistics By Deputy

| Unit Number | Contract Calls | District Calls | Reports Taken | Felony Arrests | Misd Arrests | Tickets Issued | Recovered Property | Charges Filed | Mileage Driven | Days Worked |
|-------------|----------------|----------------|---------------|----------------|--------------|----------------|--------------------|---------------|----------------|-------------|
| 126 | 47 | 2 | 6 | 0 | 0 | 15 | 0 | 0 | 1313 | 20 |
| 232 | 55 | 0 | 39 | 0 | 0 | 21 | 0 | 0 | 666 | 22 |
| C70 | 88 | 0 | 7 | 0 | 1 | 35 | 0 | 1 | 775 | 22 |
| C71 | 113 | 0 | 16 | 0 | 0 | 38 | 0 | 0 | 774 | 21 |
| C72 | 159 | 0 | 20 | 0 | 1 | 64 | 0 | 4 | 701 | 16 |
| C73 | 89 | 0 | 8 | 0 | 2 | 112 | 0 | 0 | 1095 | 18 |
| D21 | 58 | 2 | 15 | 0 | 0 | 155 | 0 | 1 | 1601 | 22 |
| TOTAL | 609 | 4 | 111 | 0 | 4 | 440 | 0 | 6 | 6925 | 141 |



ON-SITE PROTECTION INC.

Violent



- ☒ Assault
- ☒ Assault with Deadly Weapon



- ☒ Homicide



- ☒ Kidnapping



- ☒ Robbery



- ☒ Other Sexual Offense

- ☒ Sexual Assault

- ☒ Sexual Offense

Property



- ☒ Breaking & Entering



- ☒ Property Crime
- ☒ Property Crime Commercial
- ☒ Property Crime Residential



- ☒ Theft



- ☒ Theft from Vehicle
- ☒ Theft of Vehicle

Quality Of Life



- ☒ Disorder
- ☒ Quality of Life



- ☒ Drugs



- ☐ Liquor

911 Or Other



- ☐ Alarm

- ☒ Arson

- ☒ Death

- ☐ Family Offense

- ☒ Missing Person

- ☐ Other

- ☐ Pedestrian Stop

- ☒ Vehicle Recovery

- ☐ Vehicle Stop

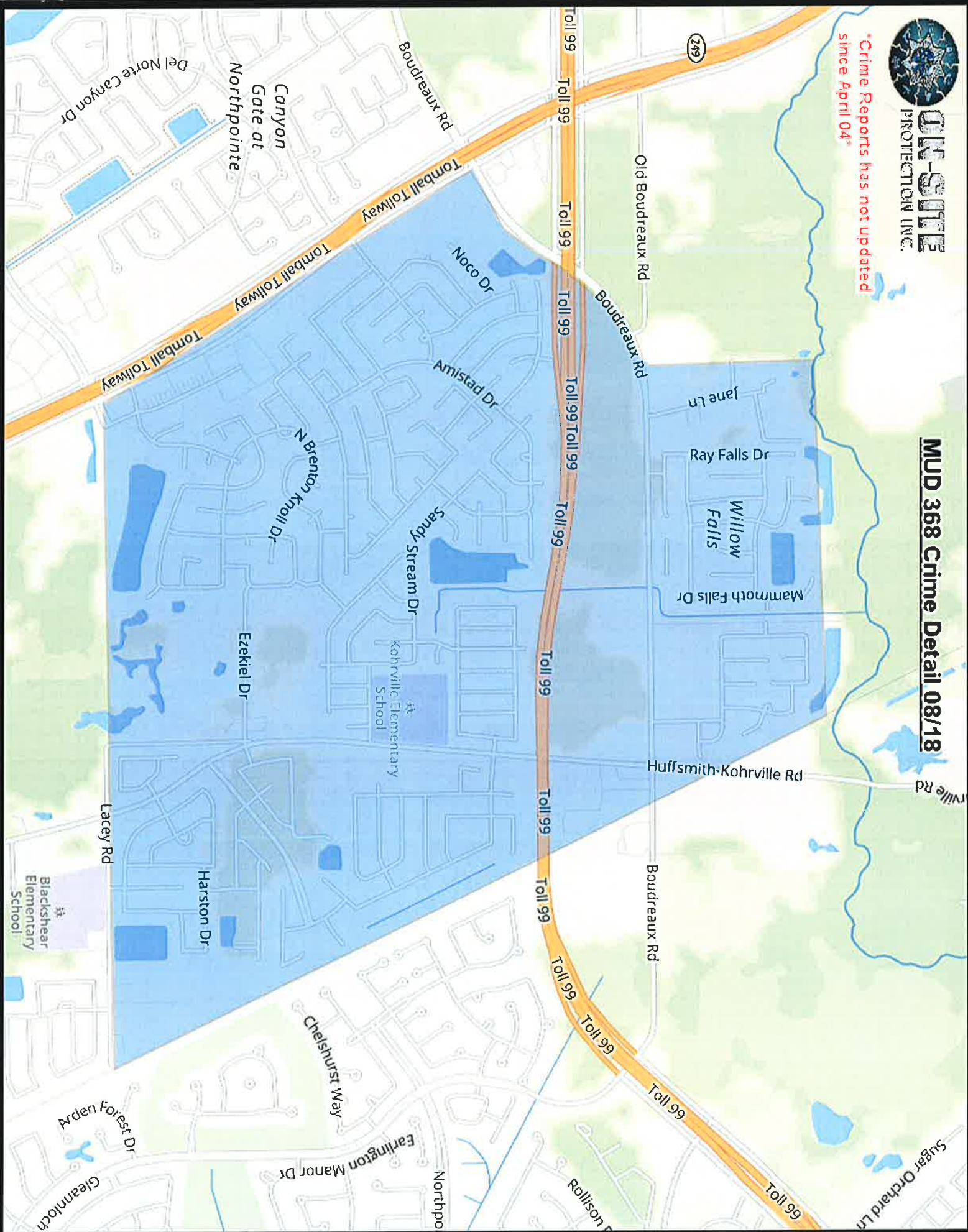
- ☒ Weapons Offense



OMNISITE
PROTECTION INC.

*Crime Reports has not updated
since April 04*

MUD 368 Crime Detail 08/18

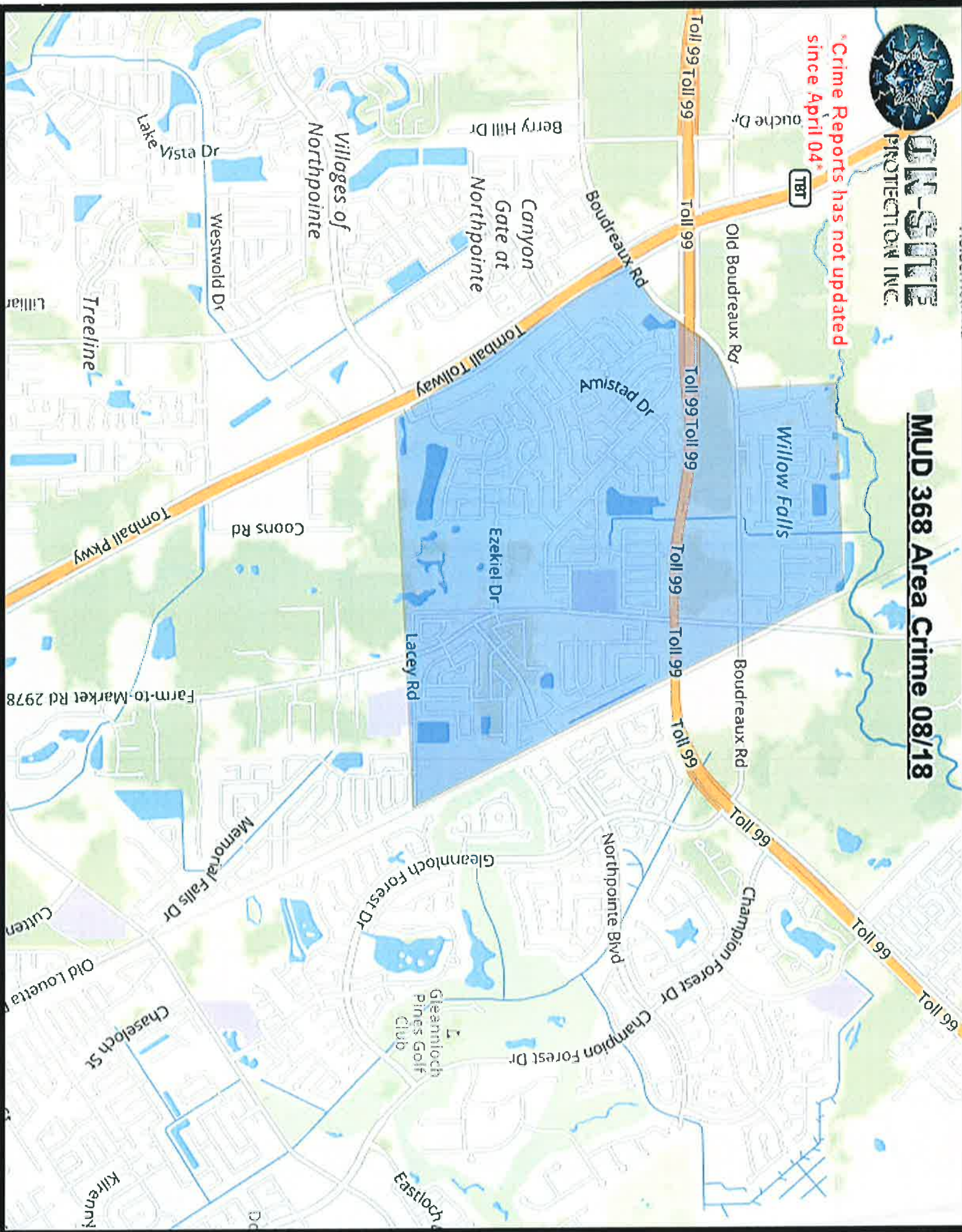




ON-SITE
PROTECTION INC.

MUD 368 Area Crime 08/18

***Crime Reports has not updated
since April 04***



Report period: 8/1/2018 12:00 AM - 8/31/2018 12:00 AM

Report notes: Custom host group

Path to this report: [All Agents](#) / [Local Agent](#) / [MUD 368](#)

Summary


| State | Hours | % of total | Polls | % of total |
|---------|--------|------------|--------|------------|
| Ok | 2155.3 | 59.9 | 258531 | 59.9 |
| Down | 1440.4 | 40.0 | 172740 | 40.0 |
| Warning | 4.1 | 0.1 | 500 | 0.1 |

Availability Problems

| Monitor | States Graph | Down Hours | % | Log From | To |
|---|--------------|---------------|-------|--|--|
| PING on 11107 Lacey Rd. | | 720.0 | 100.0 | 8/1/2018 12:00:00 AM 8/15/2018 5:41:03 PM | 8/15/2018 5:38:50 PM 8/31/2018 12:00:00 AM |
| PING on 19412 1/2 Scalet Cove Dr. | | 720.0 | 100.0 | 8/1/2018 12:00:00 AM 8/15/2018 5:41:04 PM | 8/15/2018 5:38:50 PM 8/31/2018 12:00:00 AM |
| PING on 23567 Coons Rd. | | 0.4 | 0.1 | 8/5/2018 6:29:14 AM 8/5/2018 12:14:44 PM 8/5/2018 12:17:44 PM 8/7/2018 12:35:55 PM 8/7/2018 12:38:25 PM 8/7/2018 1:35:55 PM 8/14/2018 12:35:59 PM 8/14/2018 12:38:29 PM 8/14/2018 1:35:58 PM 8/14/2018 1:38:28 PM ... more ... | 8/5/2018 6:30:29 AM 8/5/2018 12:16:04 PM 8/5/2018 12:17:59 PM 8/7/2018 12:36:50 PM 8/7/2018 12:38:40 PM 8/7/2018 1:38:45 PM 8/14/2018 12:36:48 PM 8/14/2018 12:38:44 PM 8/14/2018 1:36:54 PM 8/14/2018 1:38:44 PM |
| PING on 12043 1/2 Sandy Stream | | 0.1 | 0.0 | 8/11/2018 1:44:15 PM 8/11/2018 1:46:45 PM 8/12/2018 1:11:45 PM 8/16/2018 2:45:45 AM 8/16/2018 4:34:45 AM | 8/11/2018 1:45:35 PM 8/11/2018 1:47:00 PM 8/12/2018 1:13:05 PM 8/16/2018 2:46:30 AM 8/16/2018 4:35:05 AM |
| PING on 18102 Solomon Rd. | | 0.0 | 0.0 | 8/16/2018 2:45:41 AM | 8/16/2018 2:46:26 AM |

Performance Problems

| Monitor | States Graph | Warning Hours | % | Log From | To |
|---|--------------|------------------|-----|--|--|
| PING on 18102 Solomon Rd. | | 1.4 | 0.2 | 8/1/2018 9:01:56 AM 8/1/2018 12:56:27 PM 8/1/2018 8:41:57 PM 8/2/2018 9:50:57 AM 8/2/2018 11:02:57 AM 8/2/2018 11:55:27 AM 8/2/2018 12:11:27 PM 8/2/2018 2:29:57 PM 8/2/2018 3:49:27 PM 8/2/2018 3:53:26 PM ... more ... | 8/1/2018 9:02:27 AM 8/1/2018 12:56:56 PM 8/1/2018 8:42:26 PM 8/2/2018 9:51:26 AM 8/2/2018 11:03:26 AM 8/2/2018 11:55:56 AM 8/2/2018 12:11:56 PM 8/2/2018 2:30:26 PM 8/2/2018 3:49:56 PM 8/2/2018 3:54:27 PM |
| PING on 23567 Coons Rd. | | 1.4 | 0.2 | 8/1/2018 9:01:56 AM 8/1/2018 8:41:57 PM 8/2/2018 9:50:58 AM | 8/1/2018 9:02:27 AM 8/1/2018 8:42:26 PM 8/2/2018 9:51:28 AM |

| | | | | | | |
|--|---|--|-----|-----|------------------------------|----------------------|
| PING on 12043 1/2 Sandy Stream |  | | 1.3 | 0.2 | 8/2/2018 9:52:28 AM | 8/2/2018 9:52:58 AM |
| | | | | | 8/2/2018 1:39:31 PM | 8/2/2018 1:40:01 PM |
| | | | | | 8/2/2018 3:49:31 PM | 8/2/2018 3:50:01 PM |
| | | | | | 8/2/2018 3:53:32 PM | 8/2/2018 3:54:31 PM |
| | | | | | 8/3/2018 8:36:51 AM | 8/3/2018 8:37:21 AM |
| | | | | | 8/3/2018 2:22:22 PM | 8/3/2018 2:22:51 PM |
| | | | | | 8/3/2018 3:07:51 PM | 8/3/2018 3:08:21 PM |
| | | | | | ... more ... | |
| | | | | | 8/1/2018 7:43:00 AM | 8/1/2018 7:43:30 AM |
| | | | | | 8/1/2018 8:42:08 PM | 8/1/2018 8:42:38 PM |
| | | | | | 8/2/2018 9:52:38 AM | 8/2/2018 9:53:08 AM |
| | | | | | 8/3/2018 12:54:35 PM | 8/3/2018 12:55:05 PM |
| | | | | | 8/3/2018 3:10:05 PM | 8/3/2018 3:11:05 PM |
| | | | | | 8/3/2018 3:11:35 PM | 8/3/2018 3:13:35 PM |
| | | | | | 8/3/2018 3:14:05 PM | 8/3/2018 3:15:35 PM |
| | | | | | 8/6/2018 8:47:46 AM | 8/6/2018 8:48:15 AM |
| | | | | | 8/6/2018 8:49:16 AM | 8/6/2018 8:50:45 AM |
| | | | | | 8/6/2018 8:51:46 AM | 8/6/2018 8:52:46 AM |
| | | | | | ... more ... | |



RESIDENTIAL

Recycling & Refuse of Texas

HCMUD 368

Recycling Data

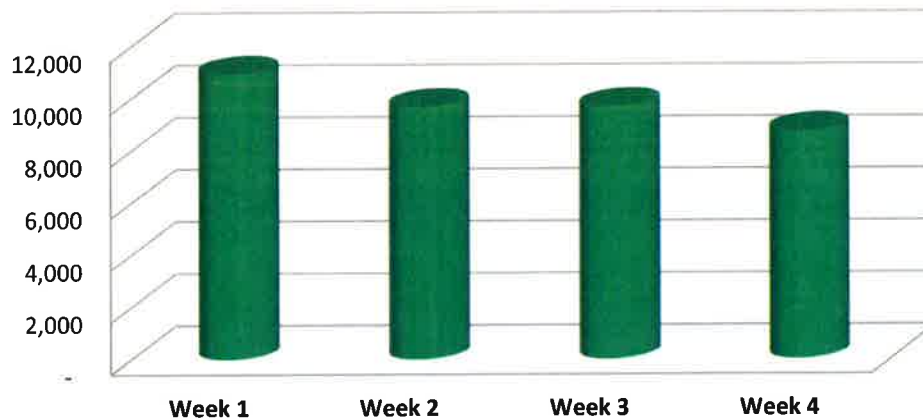
Provided By: Residential Recycling of Texas
Saving Texas resources one home at a time

August



| | |
|--------------|--------|
| Week 1 | 10,940 |
| Week 2 | 9,669 |
| Week 3 | 9,666 |
| Week 4 | 8,720 |
| Week 5 | - |
| Total Pounds | 38,995 |
| Total Tons | 19.5 |

August 2018



Resources Conserved

| | | | |
|-----------------|---------|---------|-------------|
| Trees | Saved | 331 | |
| Water | Saved | 136,483 | Gallons |
| Air Pollution | Reduced | 1,170 | Pounds |
| Electricity | Saved | 79,940 | kW Hours |
| Land Fill Space | Saved | 64 | Cubic Yards |





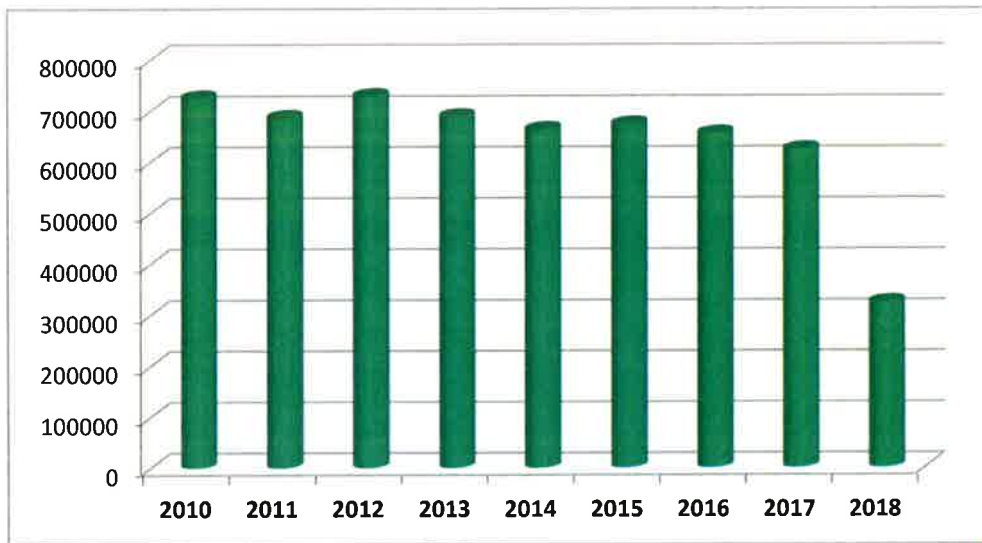
HCMUD 368 Recycling Data

Provided By: Residential Recycling of Texas
Saving Texas resources one home at a time



Yearly Accumulated Totals

| Year | Pounds |
|---------------------|------------------|
| 2010 | 725,568 |
| 2011 | 686,610 |
| 2012 | 729,177 |
| 2013 | 689,174 |
| 2014 | 663,293 |
| 2015 | 671,673 |
| 2016 | 653,579 |
| 2017 | 621,918 |
| 2018 | 322,115 |
| Total Pounds | 5,763,107 |
| Total Tons | 2,882 |



Resources Conserved

| | | | |
|------------------------|----------------|-------------------|--------------------|
| Trees | Saved | 48,986 | |
| Water | Saved | 20,170,875 | Gallons |
| Air Pollution | Reduced | 172,893 | Pounds |
| Electricity | Saved | 11,814,369 | kW Hours |
| Land Fill Space | Saved | 9,509 | Cubic Yards |





RESIDENTIAL

Recycling & Refuse of Texas

HCMUD 368

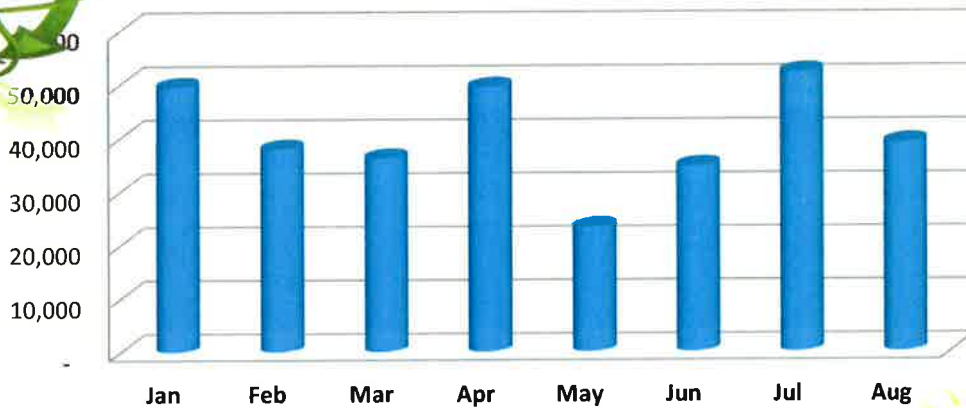
Recycling Data

Provided By: Residential Recycling of Texas
Saving Texas resources one home at a time

| | |
|---------------------|----------------|
| Jan | 49,520 |
| Feb | 37,880 |
| Mar | 36,176 |
| Apr | 49,460 |
| May | 23,288 |
| Jun | 34,656 |
| Jul | 52,140 |
| Aug | 38,995 |
| Total Pounds | 322,115 |
| Total Tons | 161 |



2018 Year To Date



Resources Conserved

| | | | |
|-----------------|---------|-----------|-------------|
| Trees | Saved | 2,738 | |
| Water | Saved | 1,127,403 | Gallons |
| Air Pollution | Reduced | 9,663 | Pounds |
| Electricity | Saved | 660,336 | kW Hours |
| Land Fill Space | Saved | 531 | Cubic Yards |



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 368
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 368 (the "District"), as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 20, 2018

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

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, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of 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 \$2,893,690 as of May 31, 2018. A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as the 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, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

| Summary of Changes in the Statement of Net Position | | | |
|---|-----------------|-----------------|----------------------------------|
| | 2018 | 2017 | Change Positive (Negative) |
| Current and Other Assets | \$ 13,628,407 | \$ 13,517,361 | \$ 111,046 |
| Capital Assets (Net of Accumulated Depreciation) | 38,686,231 | 39,903,853 | (1,217,622) |
| Total Assets | \$ 52,314,638 | \$ 53,421,214 | \$ (1,106,576) |
| Deferred Outflows of Resources | \$ 2,209,853 | \$ 1,961,722 | \$ 248,131 |
| Due to Developers | \$ 149,414 | \$ 697,206 | \$ 547,792 |
| Bonds Payable | 55,675,768 | 55,123,760 | (552,008) |
| Other Liabilities | 1,592,999 | 1,564,914 | (28,085) |
| Total Liabilities | \$ 57,418,181 | \$ 57,385,880 | \$ (32,301) |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ (14,566,391) | \$ (12,496,542) | \$ (2,069,849) |
| Restricted | 6,111,116 | 6,100,106 | 11,010 |
| Unrestricted | 5,561,585 | 4,393,492 | 1,168,093 |
| Total Net Position | \$ (2,893,690) | \$ (2,002,944) | \$ (890,746) |

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

| Summary of Changes in the Statement of Activities | | | |
|---|----------------|----------------|----------------------------------|
| | 2018 | 2017 | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | \$ 4,842,294 | \$ 4,707,953 | \$ 134,341 |
| Charges for Services | 4,255,373 | 3,896,824 | 358,549 |
| Other Revenues | 395,719 | 274,132 | 121,587 |
| Total Revenues | \$ 9,493,386 | \$ 8,878,909 | \$ 614,477 |
| Expenses for Services | 10,384,132 | 8,950,049 | (1,434,083) |
| Change in Net Position | \$ (890,746) | \$ (71,140) | \$ (819,606) |
| Net Position, Beginning of Year | (2,002,944) | (1,931,804) | (71,140) |
| Net Position, End of Year | \$ (2,893,690) | \$ (2,002,944) | \$ (890,746) |

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2018, were \$11,711,652, an increase of \$191,969 from the prior year.

The General Fund fund balance increased by \$1,300,575, primarily due to tax and service revenues exceeding capital expenditures and the costs of operating and maintaining the District's systems.

The Debt Service Fund fund balance decreased by \$12,464, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$1,096,142. 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 \$660,423 more than budgeted revenues primarily due to service revenues being more than estimated. Actual expenditures were \$412,554 more than budgeted expenditures, primarily due to higher than anticipated costs across most categories, offset by lower than anticipated capital expenditures.

CAPITAL ASSETS

Capital assets as of May 31, 2018, total \$38,686,231 (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 reimbursement to a developer for water, wastewater and drainage facilities serving 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 and completed wastewater treatment plant rehab.

| Capital Assets At Year-End, Net of Accumulated Depreciation | | | |
|---|----------------------|----------------------|----------------------------------|
| | 2018 | 2017 | Change Positive (Negative) |
| Capital Assets Not Being Depreciated: | | | |
| Land and Land Improvements | \$ 2,572,300 | \$ 2,572,300 | \$ |
| Construction in Progress | 318,995 | 825,512 | (506,517) |
| Capital Assets, Net of Accumulated Depreciation: | | | |
| Buildings and Equipment | 324,851 | 335,696 | (10,845) |
| Water System | 10,725,474 | 11,341,803 | (616,329) |
| Wastewater System | 12,676,529 | 12,396,656 | 279,873 |
| Drainage System | 12,068,082 | 12,431,886 | (363,804) |
| Total Net Capital Assets | <u>\$ 38,686,231</u> | <u>\$ 39,903,853</u> | <u>\$ (1,217,622)</u> |

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018

LONG-TERM DEBT ACTIVITY

At year end, the District had total bond debt payable of \$54,255,000. The changes in the debt position of the District during the fiscal year ended May 31, 2018, are summarized as follows:

| | |
|--|----------------------|
| Bond Debt Payable, June 1, 2017 | \$ 54,440,000 |
| Add: Bond Sale - Series 2017 Refunding | 9,150,000 |
| Add: Bond Sale - Series 2017 | 1,830,000 |
| Less: Bond Principal Refunded | 9,345,000 |
| Less: Bond Principal Paid | <u>1,820,000</u> |
| Bond Debt Payable, May 31, 2018 | <u>\$ 54,255,000</u> |

The District carries an underlying rating of "BBB+". The Series 2010 and 2012 refunding bonds carry insured ratings 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 insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2014 and Series 2017 bonds carry an insured rating of "AA" by virtue of bond insurance issued by Municipal Assurance Corp. The Series 2017 refunding bonds carry an insured rating of "A3" by virtue of bond insurance issued by National Public Finance Guarantee Corporation. 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 rating changes, if any, during the fiscal year ended May 31, 2018.

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.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2018

| | General Fund | Debt Service Fund |
|--|---------------------|----------------------|
| ASSETS | | |
| Cash | \$ 398,452 | \$ 260,729 |
| Investments | 4,924,616 | 6,326,085 |
| Receivables: | | |
| Property Taxes | 16,810 | 66,548 |
| Penalty and Interest on Delinquent Taxes | | |
| Service Accounts | 340,992 | |
| Accrued Interest | 11,976 | 12,323 |
| Other | 48,301 | |
| Due from Other Funds | 7,560 | 4,924 |
| Prepaid Costs | 96,208 | |
| Regional Water Authority Chloramine Conversion Receivable | | |
| Land | | |
| Construction in Progress | | |
| Capital Assets (Net of Accumulated Depreciation) | | |
| TOTAL ASSETS | <u>\$ 5,844,915</u> | <u>\$ 6,670,609</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Charges on Refunding Bonds | <u>\$ -0-</u> | <u>\$ -0-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 5,844,915</u> | <u>\$ 6,670,609</u> |

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

| <u>Capital Projects Fund</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|----------------------------------|----------------------|----------------------|--------------------------------------|
| \$ 390 | \$ 659,571 | \$ | \$ 659,571 |
| 369,902 | 11,620,603 | | 11,620,603 |
| | 83,358 | | 83,358 |
| | | 19,855 | 19,855 |
| | 340,992 | | 340,992 |
| | 24,299 | | 24,299 |
| | 48,301 | | 48,301 |
| | 12,484 | (12,484) | |
| | 96,208 | 321,610 | 417,818 |
| | | 413,610 | 413,610 |
| | | 2,572,300 | 2,572,300 |
| | | 318,995 | 318,995 |
| | | 35,794,936 | 35,794,936 |
| <u>\$ 370,292</u> | <u>\$ 12,885,816</u> | <u>\$ 39,428,822</u> | <u>\$ 52,314,638</u> |
| <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 2,209,853</u> | <u>\$ 2,209,853</u> |
| <u>\$ 370,292</u> | <u>\$ 12,885,816</u> | <u>\$ 41,638,675</u> | <u>\$ 54,524,491</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, 2018

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|---|---------------------|------------------------------|
| LIABILITIES | | |
| Accounts Payable | \$ 442,287 | \$ |
| Accrued Interest Payable | | |
| Due to Developers | | |
| Due to Other Funds | 4,924 | |
| Due to Taxpayers | | 64,671 |
| Security Deposits | 571,339 | |
| Long-Term Liabilities: | | |
| Bonds Payable, Due Within One Year | | |
| Bonds Payable, Due After One Year | | |
| TOTAL LIABILITIES | <u>\$ 1,018,550</u> | <u>\$ 64,671</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Taxes | <u>\$ 16,810</u> | <u>\$ 66,548</u> |
| FUND BALANCES | | |
| Nonspendable: | | |
| Prepaid Costs | \$ 96,208 | \$ |
| Restricted for Authorized Construction | | |
| Restricted for Debt Service | | 6,539,390 |
| Unassigned | <u>4,713,347</u> | |
| TOTAL FUND BALANCES | <u>\$ 4,809,555</u> | <u>\$ 6,539,390</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 5,844,915</u> | <u>\$ 6,670,609</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | | |
| Restricted for Debt Service | | |
| Unrestricted | | |
| TOTAL NET POSITION | | |

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

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|--------------------------|----------------------|------------------------|------------------------------|
| \$ 25 | \$ 442,312 | \$ | \$ 442,312 |
| | | 514,677 | 514,677 |
| | | 149,414 | 149,414 |
| 7,560 | 12,484 | (12,484) | |
| | 64,671 | | 64,671 |
| | 571,339 | | 571,339 |
| | | 1,790,000 | 1,790,000 |
| | | 53,885,768 | 53,885,768 |
| <u>\$ 7,585</u> | <u>\$ 1,090,806</u> | <u>\$ 56,327,375</u> | <u>\$ 57,418,181</u> |
| <u>\$ -0-</u> | <u>\$ 83,358</u> | <u>\$ (83,358)</u> | <u>\$ -0-</u> |
| \$ | \$ 96,208 | \$ (96,208) | \$ |
| 362,707 | 362,707 | (362,707) | |
| | 6,539,390 | (6,539,390) | |
| | 4,713,347 | (4,713,347) | |
| <u>\$ 362,707</u> | <u>\$ 11,711,652</u> | <u>\$ (11,711,652)</u> | <u>\$ - 0 -</u> |
| <u>\$ 370,292</u> | <u>\$ 12,885,816</u> | | |
| | | \$ (14,566,391) | \$ (14,566,391) |
| | | 6,111,116 | 6,111,116 |
| | | 5,561,585 | 5,561,585 |
| | | <u>\$ (2,893,690)</u> | <u>\$ (2,893,690)</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, 2018

Total Fund Balances - Governmental Funds \$ 11,711,652

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. 2,209,853

Prepaid bond insurance is amortized over the repayment period of the bonds in governmental activities. 321,610

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. 413,610

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 38,686,231

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. (149,414)

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District. 103,213

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 | \$ (55,675,768) | |
| Accrued Interest Payable | <u>(514,677)</u> | <u>(56,190,445)</u> |

| | |
|--|-----------------------|
| Total Net Position - Governmental Activities | <u>\$ (2,893,690)</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, 2018

| | General Fund | Debt Service Fund |
|--|---------------------|----------------------|
| REVENUES | | |
| Property Taxes | \$ 1,034,439 | \$ 3,796,780 |
| Water Service | 899,602 | |
| Wastewater Service | 1,908,597 | |
| Regional Water Authority Fees | 1,139,788 | |
| Penalty and Interest | 76,943 | 25,374 |
| Tap Connection and Inspection Fees | 46,275 | |
| Security Revenues | 155,230 | |
| Sales Tax Revenues | 172,144 | |
| Water Authority Credits | 32,905 | |
| Miscellaneous Revenues | 126,725 | 59,686 |
| TOTAL REVENUES | \$ 5,592,648 | \$ 3,881,840 |
| EXPENDITURES/EXPENSES | | |
| Service Operations: | | |
| Professional Fees | \$ 288,540 | \$ 8,117 |
| Contracted Services | 1,872,340 | 95,236 |
| Purchased Water Service | 1,011,334 | |
| Utilities | 225,031 | |
| Regional Water Authority Assessment | 82,810 | |
| Repairs and Maintenance | 1,048,726 | |
| Depreciation | | |
| Other | 492,383 | 7,341 |
| Capital Outlay | 323,615 | |
| Debt Service: | | |
| Bond Issuance Costs | | 362,397 |
| Bond Principal | | 1,820,000 |
| Bond Interest | | 1,963,617 |
| Transfer to Refunding Bond Escrow Agent | | 5,000 |
| TOTAL EXPENDITURES/EXPENSES | \$ 5,344,779 | \$ 4,261,708 |
| EXCESS (DEFICIENCY) OF REVENUES OVER | | |
| EXPENDITURES/EXPENSES | \$ 247,869 | \$ (379,868) |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers In (Out) | \$ 1,052,706 | \$ |
| Long-Term Debt Issued | | 9,150,000 |
| Transfer to Refunding Bond Escrow Agent | | (9,518,135) |
| Bond Premium | | 735,539 |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ 1,052,706 | \$ 367,404 |
| NET CHANGE IN FUND BALANCES | \$ 1,300,575 | \$ (12,464) |
| CHANGE IN NET POSITION | | |
| FUND BALANCES/NET POSITION - JUNE 1, 2017 | 3,508,980 | 6,551,854 |
| FUND BALANCES/NET POSITION - MAY 31, 2018 | \$ 4,809,555 | \$ 6,539,390 |

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

| Capital Projects Fund | Total | Adjustments | Statement of Activities |
|--------------------------|-----------------------|------------------------|----------------------------|
| \$ | \$ 4,831,219 | \$ 11,075 | \$ 4,842,294 |
| | 899,602 | | 899,602 |
| | 1,908,597 | | 1,908,597 |
| | 1,139,788 | | 1,139,788 |
| | 102,317 | 3,564 | 105,881 |
| | 46,275 | | 46,275 |
| | 155,230 | | 155,230 |
| | 172,144 | | 172,144 |
| | 32,905 | (7,631) | 25,274 |
| 11,890 | 198,301 | | 198,301 |
| <u>\$ 11,890</u> | <u>\$ 9,486,378</u> | <u>\$ 7,008</u> | <u>\$ 9,493,386</u> |
| \$ | \$ 296,657 | \$ | \$ 296,657 |
| 747 | 1,968,323 | | 1,968,323 |
| | 1,011,334 | | 1,011,334 |
| | 225,031 | | 225,031 |
| | 82,810 | | 82,810 |
| | 1,048,726 | | 1,048,726 |
| | | 1,541,237 | 1,541,237 |
| 19 | 499,743 | | 499,743 |
| 547,794 | 871,409 | (871,409) | |
| | | | |
| 1,336,766 | 1,699,163 | (26,102) | 1,673,061 |
| | 1,820,000 | (1,820,000) | |
| | 1,963,617 | 73,593 | 2,037,210 |
| | 5,000 | (5,000) | |
| <u>\$ 1,885,326</u> | <u>\$ 11,491,813</u> | <u>\$ (1,107,681)</u> | <u>\$ 10,384,132</u> |
| <u>\$ (1,873,436)</u> | <u>\$ (2,005,435)</u> | <u>\$ 1,114,689</u> | <u>\$ (890,746)</u> |
| \$ (1,052,706) | \$ | \$ | \$ |
| 1,830,000 | 10,980,000 | (10,980,000) | |
| | (9,518,135) | 9,518,135 | |
| | 735,539 | (735,539) | |
| <u>\$ 777,294</u> | <u>\$ 2,197,404</u> | <u>\$ (2,197,404)</u> | <u>\$ -0-</u> |
| \$ (1,096,142) | \$ 191,969 | \$ (191,969) | \$ |
| | | (890,746) | (890,746) |
| 1,458,849 | 11,519,683 | (13,522,627) | (2,002,944) |
| <u>\$ 362,707</u> | <u>\$ 11,711,652</u> | <u>\$ (14,605,342)</u> | <u>\$ (2,893,690)</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, 2018

| | |
|--|---------------------|
| Net Change in Fund Balances - Governmental Funds | \$ 191,969 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. | 11,075 |
| 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. | 3,564 |
| 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. | (7,631) |
| 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. | (1,541,237) |
| 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. | 871,409 |
| In the Statement of Net Position, bond premiums and insurance premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. | (709,437) |
| 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. | 1,820,000 |
| 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. | (73,593) |
| Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. | (10,980,000) |
| Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position. | 9,523,135 |
| Change in Net Position - Governmental Activities | <u>\$ (890,746)</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, 2018

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 ("GASB Codification").

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

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, 2018

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 inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

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:

| | <u>Years</u> |
|---------------------|--------------|
| 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, 2018

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, 2018

NOTE 3. LONG-TERM DEBT

| | Refunding Series 2010 | Refunding Series 2012 | Series 2012 |
|---|---------------------------|---------------------------|---------------------------|
| Amounts Outstanding – May 31, 2018 | \$ 800,000 | \$ 8,795,000 | \$ 4,625,000 |
| Interest Rates | 3.50% - 4.00% | 2.75% - 4.00% | 2.30% - 4.10% |
| Maturity Dates – Serially Beginning/Ending | September 1, 2018/2019 | September 1, 2018/2032 | September 1, 2018/2039 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2017* | September 1, 2019 * | September 1, 2019 * |
| | Refunding Series 2013 | Refunding Series 2013A | Series 2014 |
| Amounts Outstanding – May 31, 2018 | \$ 7,015,000 | \$ 4,250,000 | \$ 2,475,000 |
| Interest Rates | 3.00% - 4.00% | 3.00% - 4.00% | 4.00% - 6.00% |
| Maturity Dates – Serially Beginning/Ending | September 1, 2018/2033 | September 1, 2018/2024 | September 1, 2018/2039 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2020 * | September 1, 2020 * | September 1, 2021 * |

- * 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. 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

| | Refunding Series 2015 | Refunding Series 2015A |
|---|---------------------------|---------------------------|
| Amounts Outstanding – May 31, 2018 | \$ 7,720,000 | \$ 7,680,000 |
| Interest Rates | 2.00% - 4.00% | 2.00% - 4.00% |
| Maturity Dates – Serially Beginning/Ending | September 1, 2018/2034 | September 1, 2018/2036 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2022 * | September 1, 2022 * |
| | Refunding Series 2017 | Series 2017 |
| Amounts Outstanding – May 31, 2018 | \$ 9,065,000 | \$ 1,830,000 |
| Interest Rates | 2.00% - 4.00% | 3.00% - 3.75% |
| Maturity Dates – Serially Beginning/Ending | September 1, 2020/2030 | September 1, 2020/2039 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2024 * | September 1, 2024 * |

- * 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 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. Series 2017 term bonds maturing September 1, 2027, September 1, 2032, and September 1, 2037 are subject to mandatory redemption beginning September 1, 2025, September 1, 2028 and September 1, 2033, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

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

| | June 1, 2017 | Additions | Retirements | May 31, 2018 |
|-----------------------|----------------------|----------------------------|----------------------|----------------------|
| Bonds Payable | \$ 54,440,000 | \$ 10,980,000 | \$ 11,165,000 | \$ 54,255,000 |
| Unamortized Discounts | (383,495) | (9,313) | (141,267) | (251,541) |
| Unamortized Premiums | 1,067,255 | 735,539 | 130,485 | 1,672,309 |
| Bonds Payable, Net | <u>\$ 55,123,760</u> | <u>\$ 11,706,226</u> | <u>\$ 11,154,218</u> | <u>\$ 55,675,768</u> |
| | | Amount Due Within One Year | | \$ 1,790,000 |
| | | Amount Due After One Year | | <u>53,885,768</u> |
| | | Bonds Payable, Net | | <u>\$ 55,675,768</u> |

As of May 31, 2018, the District has authorized but unissued bonds in the amount of \$25,710,000 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, 2018, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|----------------------|----------------------|----------------------|
| 2019 | \$ 1,790,000 | \$ 2,031,119 | \$ 3,821,119 |
| 2020 | 1,870,000 | 1,971,807 | 3,841,807 |
| 2021 | 1,945,000 | 1,911,281 | 3,856,281 |
| 2022 | 2,010,000 | 1,850,381 | 3,860,381 |
| 2023 | 2,055,000 | 1,783,413 | 3,838,413 |
| 2024-2028 | 11,455,000 | 7,753,969 | 19,208,969 |
| 2029-2033 | 14,110,000 | 5,303,165 | 19,413,165 |
| 2034-2038 | 14,495,000 | 2,274,668 | 16,769,668 |
| 2039-2040 | 4,525,000 | 189,244 | 4,714,244 |
| | <u>\$ 54,255,000</u> | <u>\$ 25,069,047</u> | <u>\$ 79,324,047</u> |

During the year ended May 31, 2018, the District levied an ad valorem debt service tax rate of \$0.55 per \$100 of assessed valuation, which resulted in a tax levy of \$3,807,155 on the adjusted taxable valuation of \$692,209,729 for the 2017 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on every fifth-year anniversary date of each issue.

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to certain information repositories. 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 \$5,434,571 and the bank balance was \$5,551,949. The District was not exposed to custodial credit risk at year-end.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2018, as listed below:

| | Cash | Certificates of Deposit | Total |
|-----------------------|-------------------|----------------------------|---------------------|
| GENERAL FUND | \$ 398,452 | \$ 2,615,000 | \$ 3,013,452 |
| DEBT SERVICE FUND | 260,729 | 2,160,000 | 2,420,729 |
| CAPITAL PROJECTS FUND | 390 | | 390 |
| TOTAL DEPOSITS | <u>\$ 659,571</u> | <u>\$ 4,775,000</u> | <u>\$ 5,434,571</u> |

Investments

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

The District 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, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of May 31, 2018, the District had the following investments and maturities:

| Fund and Investment Type | Fair Value | Maturities of Less Than 1 Year |
|------------------------------|-----------------------------|--------------------------------------|
| <u>GENERAL FUND</u> | | |
| TexPool | \$ 2,309,616 | \$ 2,309,616 |
| Certificates of Deposit | 2,615,000 | 2,615,000 |
| <u>DEBT SERVICE FUND</u> | | |
| TexPool | 4,166,085 | 4,166,085 |
| Certificates of Deposit | 2,160,000 | 2,160,000 |
| <u>CAPITAL PROJECTS FUND</u> | | |
| TexPool | 369,902 | 369,902 |
| TOTAL INVESTMENTS | <u>\$ 11,620,603</u> | <u>\$ 11,620,603</u> |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2018, 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, 2018

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2018:

| | June 1, 2017 | Increases | Decreases | May 31, 2018 |
|--|----------------------|---------------------|-------------------|----------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 2,572,300 | \$ | \$ | \$ 2,572,300 |
| Construction in Progress | 825,512 | 323,615 | 830,132 | 318,995 |
| Total Capital Assets Not Being Depreciated | <u>\$ 3,397,812</u> | <u>\$ 323,615</u> | <u>\$ 830,132</u> | <u>\$ 2,891,295</u> |
| Capital Assets Subject to Depreciation | | | | |
| Building and Equipment | \$ 441,673 | \$ | \$ | \$ 441,673 |
| Water System | 17,989,695 | | | 17,989,695 |
| Wastewater System | 19,981,685 | 830,132 | | 20,811,817 |
| Drainage System | 17,176,937 | | | 17,176,937 |
| Total Capital Assets Subject to Depreciation | <u>\$ 55,589,990</u> | <u>\$ 830,132</u> | <u>\$ - 0 -</u> | <u>\$ 56,420,122</u> |
| Less Accumulated Depreciation | | | | |
| Building and Equipment | \$ 105,977 | \$ 10,845 | \$ | \$ 116,822 |
| Water System | 6,647,892 | 616,329 | | 7,264,221 |
| Wastewater System | 7,585,029 | 550,259 | | 8,135,288 |
| Drainage System | 4,745,051 | 363,804 | | 5,108,855 |
| Total Accumulated Depreciation | <u>\$ 19,083,949</u> | <u>\$ 1,541,237</u> | <u>\$ - 0 -</u> | <u>\$ 20,625,186</u> |
| Total Depreciable Capital Assets, Net of Accumulated Depreciation | <u>\$ 36,506,041</u> | <u>\$ (711,105)</u> | <u>\$ - 0 -</u> | <u>\$ 35,794,936</u> |
| Total Capital Assets, Net of Accumulated Depreciation | <u>\$ 39,903,853</u> | <u>\$ (387,490)</u> | <u>\$ 830,132</u> | <u>\$ 38,686,231</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, 2018, the District levied an ad valorem maintenance tax rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$1,038,315 on the adjusted taxable valuation of \$692,209,729 for the 2017 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, 2018

NOTE 8. EMERGENCY WATER SUPPLY AGREEMENT

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

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

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

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current pumpage fee is \$3.40 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$82,810 for pumpage fees assessed during the current fiscal year. The District also purchased surface water from the Authority at a total cost of \$1,011,334 during the current fiscal year. The current surface water rate is \$3.85 per 1,000 gallons.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

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

received in the current fiscal year were \$32,905. Of this amount, \$7,631 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 |
|-------------|-------------------|-------------------|-------------------|
| 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 | 10,212 | 22,694 | 32,906 |
| 2024-2028 | 61,017 | 103,508 | 164,525 |
| 2029-2033 | 81,655 | 82,871 | 164,526 |
| 2034-2038 | 109,272 | 55,253 | 164,525 |
| 2039-2043 | 116,071 | 18,294 | 134,365 |
| | <u>\$ 413,610</u> | <u>\$ 378,857</u> | <u>\$ 792,467</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 imposes a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax is 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 the District one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City delivers 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, 2018, the District received sales tax revenues of \$172,144. 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, 2018

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, 2018, the District recorded a liability to developers of \$149,414 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, 2018, the General Fund owed the Debt Service Fund \$2,734 for the over transfer of maintenance tax collections, the General Fund owed the Debt Service Fund \$2,190 for costs related to the Series 2017 refunding bonds and the Capital Projects Fund owed the General Fund \$7,560 for costs related to funds approved to be used to purchase automatic read meters and bond costs.

NOTE 14. BOND SALES

On June 7, 2017, 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, 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2018

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, 2018

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|------------------------------|---------------------|------------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 900,000 | \$ 1,034,439 | \$ 134,439 |
| Water Service | 880,000 | 899,602 | 19,602 |
| Wastewater Service | 1,600,000 | 1,908,597 | 308,597 |
| Regional Water Authority Fees | 1,088,000 | 1,139,788 | 51,788 |
| Penalty and Interest | 68,000 | 76,943 | 8,943 |
| Tap Connection and Inspection Fees | 73,500 | 46,275 | (27,225) |
| Security Revenues | 94,000 | 155,230 | 61,230 |
| Sales Tax Revenues | 140,000 | 172,144 | 32,144 |
| Miscellaneous Revenues | 88,725 | 159,630 | 70,905 |
| TOTAL REVENUES | <u>\$ 4,932,225</u> | <u>\$ 5,592,648</u> | <u>\$ 660,423</u> |
| EXPENDITURES | | | |
| Services Operations: | | | |
| Professional Fees | \$ 216,400 | \$ 288,540 | \$ (72,140) |
| Contracted Services | 1,637,778 | 1,872,340 | (234,562) |
| Utilities | 209,499 | 225,031 | (15,532) |
| Regional Water Authority Costs | 1,021,000 | 1,094,144 | (73,144) |
| Repairs and Maintenance | 760,558 | 1,048,726 | (288,168) |
| Other | 536,990 | 492,383 | 44,607 |
| Capital Outlay | 550,000 | 323,615 | 226,385 |
| TOTAL EXPENDITURES | <u>\$ 4,932,225</u> | <u>\$ 5,344,779</u> | <u>\$ (412,554)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ -0-</u> | <u>\$ 247,869</u> | <u>\$ 247,869</u> |
| OTHER FINANCING SOURCES(USES) | | | |
| Transfer In | \$ -0- | \$ 1,052,706 | \$ 1,052,706 |
| NET CHANGE IN FUND BALANCE | <u>\$ -0-</u> | <u>\$ 1,300,575</u> | <u>\$ 1,300,575</u> |
| FUND BALANCE - JUNE 1, 2017 | <u>3,508,980</u> | <u>3,508,980</u> | |
| FUND BALANCE - MAY 31, 2018 | <u>\$ 3,508,980</u> | <u>\$ 4,809,555</u> | <u>\$ 1,300,575</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

MAY 31, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2018

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 February 1, 2018.

| | 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 | \$4.24 per 1,000 gallons used | | | | |
| Authority Fees | (Current surface water fee plus 10%) | | | | |

District employs winter averaging for wastewater usage?

 Yes X No

Total monthly charges per 10,000 gallons usage: Water: \$23.75 Wastewater: \$37.35 Surcharge: \$42.40

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2018

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

| <u>Meter Size</u> | <u>Total Connections</u> | <u>Active Connections</u> | <u>ESFC Factor</u> | <u>Active ESFCs</u> |
|------------------------------|------------------------------|-------------------------------|------------------------|-------------------------|
| Unmetered | | | x 1.0 | |
| ≤¾" | 3,816 | 3,816 | x 1.0 | 3,816 |
| 1" | 14 | 14 | x 2.5 | 35 |
| 1½" | 4 | 4 | x 5.0 | 20 |
| 2" | 29 | 29 | x 8.0 | 232 |
| 3" | | | x 15.0 | |
| 4" | 6 | 6 | x 25.0 | 150 |
| 6" | | | x 50.0 | |
| 8" | | | x 80.0 | |
| 10" | | | x 115.0 | |
| Total Water Connections | 3,869 | 3,869 | | 4,253 |
| Total Wastewater Connections | 3,744 | 3,788 | x 1.0 | 3,788 |

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

| | | |
|------------------------------|-------------|--|
| Gallons pumped into system: | 23,300,000 | Water Accountability Ratio: 97% (Gallons billed/Gallons pumped and purchased) |
| Gallons billed to customers: | 308,904,000 | |
| Gallons purchased: | 295,085,000 | 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, 2018

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2018

| | |
|-----------------------------------|---------------------|
| PROFESSIONAL FEES: | |
| Auditing | \$ 20,800 |
| Engineering | 148,638 |
| Legal | <u>119,102</u> |
| TOTAL PROFESSIONAL FEES | \$ <u>288,540</u> |
| PURCHASED SERVICES FOR RESALE: | |
| Purchased Water Service | \$ <u>1,011,334</u> |
| CONTRACTED SERVICES: | |
| Bookkeeping | \$ 42,283 |
| Operations and Billing | <u>357,840</u> |
| TOTAL CONTRACTED SERVICES | \$ <u>400,123</u> |
| UTILITIES: | |
| Electricity | \$ 216,550 |
| Telephone | <u>8,481</u> |
| TOTAL UTILITIES | \$ <u>225,031</u> |
| REPAIRS AND MAINTENANCE | \$ <u>1,048,726</u> |
| ADMINISTRATIVE EXPENDITURES: | |
| Bank Charges | \$ 5,538 |
| Director Fees | 28,200 |
| Election Costs | 2,809 |
| Insurance | 35,035 |
| Office Supplies and Postage | 63,666 |
| Payroll Taxes | 2,157 |
| Travel and Meetings | 23,043 |
| Water Smart Program | 4,521 |
| Website Hosting | 3,778 |
| Other | <u>3,596</u> |
| TOTAL ADMINISTRATIVE EXPENDITURES | \$ <u>172,343</u> |
| CAPITAL OUTLAY | \$ <u>323,615</u> |
| TAP CONNECTIONS | \$ <u>21,800</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2018

| | |
|-------------------------------------|--------------|
| SOLID WASTE DISPOSAL/RECYCLING | \$ 686,935 |
| SECURITY | \$ 785,282 |
| OTHER EXPENDITURES: | |
| Chemicals | \$ 75,877 |
| Fuel | 16,460 |
| Laboratory Fees | 4,332 |
| Permit Fees | 15,968 |
| Reconnection Fees | 53,510 |
| Inspection Fees | 10,585 |
| Regional Water Authority Assessment | 82,810 |
| Regulatory Assessment | 13,873 |
| Sludge Hauling | 82,465 |
| Other | 25,170 |
| TOTAL OTHER EXPENDITURES | \$ 381,050 |
| TOTAL EXPENDITURES | \$ 5,344,779 |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
INVESTMENTS
MAY 31, 2018

| <u>Funds</u> | <u>Identification or Certificate Number</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Balance at End of Year</u> | <u>Accrued Interest Receivable at End of Year</u> |
|-------------------------------------|---|--------------------------|--------------------------|-----------------------------------|---|
| <u>GENERAL FUND</u> | | | | | |
| TexPool | XXXX0003 | Varies | Daily | \$ 2,309,616 | \$ |
| Certificate of Deposit | XXXX0337 | 2.05% | 05/26/19 | 240,000 | 67 |
| Certificate of Deposit | XXXX1914 | 1.10% | 12/19/18 | 215,000 | 1,056 |
| Certificate of Deposit | XXXX5654 | 1.05% | 11/30/18 | 240,000 | 1,257 |
| Certificate of Deposit | XXXX2513 | 2.06% | 05/18/19 | 240,000 | 190 |
| Certificate of Deposit | XXXX0407 | 1.30% | 03/08/19 | 240,000 | 709 |
| Certificate of Deposit | XXXX2935 | 1.25% | 01/05/19 | 240,000 | 1,200 |
| Certificate of Deposit | XXXX6910 | 2.04% | 04/18/19 | 240,000 | 577 |
| Certificate of Deposit | XXXX5618 | 1.10% | 11/28/18 | 240,000 | 1,331 |
| Certificate of Deposit | XXXX0518 | 1.00% | 07/15/18 | 240,000 | 2,098 |
| Certificate of Deposit | XXXX0254 | 1.25% | 11/28/18 | 240,000 | 1,512 |
| Certificate of Deposit | XXXX2126 | 1.00% | 08/02/18 | 240,000 | 1,979 |
| TOTAL GENERAL FUND | | | | \$ 4,924,616 | \$ 11,976 |
| <u>DEBT SERVICE FUND</u> | | | | | |
| TexPool | XXXX0001 | Varies | Daily | \$ 4,166,085 | \$ |
| Certificate of Deposit | XXXX6106 | 1.00% | 08/14/18 | 240,000 | 1,914 |
| Certificate of Deposit | XXXX0353 | 1.25% | 02/10/19 | 240,000 | 904 |
| Certificate of Deposit | XXXX3888 | 1.10% | 08/16/18 | 240,000 | 2,083 |
| Certificate of Deposit | XXXX0320 | 1.75% | 02/13/19 | 240,000 | 1,231 |
| Certificate of Deposit | XXXX6693 | 1.30% | 02/11/19 | 240,000 | 940 |
| Certificate of Deposit | XXXX3672 | 1.33% | 02/05/19 | 240,000 | 1,006 |
| Certificate of Deposit | XXXX3234 | 1.25% | 02/09/19 | 240,000 | 912 |
| Certificate of Deposit | XXXX0105 | 1.25% | 08/15/18 | 240,000 | 2,375 |
| Certificate of Deposit | XXXX2225 | 1.30% | 02/08/19 | 240,000 | 958 |
| TOTAL DEBT SERVICE FUND | | | | \$ 6,326,085 | \$ 12,323 |
| <u>CAPITAL PROJECTS FUND</u> | | | | | |
| TexPool | XXXX0006 | Varies | Daily | \$ 75 | \$ |
| TexPool | XXXX0007 | Varies | Daily | 275,373 | |
| TexPool | XXXX0010 | Varies | Daily | 94,454 | |
| TOTAL CAPITAL PROJECTS FUND | | | | \$ 369,902 | \$ - 0 - |
| TOTAL - ALL FUNDS | | | | \$ 11,620,603 | \$ 24,299 |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2018

| | <u>Maintenance Taxes</u> | | <u>Debt Service Taxes</u> | |
|-----------------------------|--------------------------|------------------|---------------------------|------------------|
| TAXES RECEIVABLE - | | | | |
| JUNE 1, 2017 | \$ | 13,564 | \$ | 58,719 |
| Adjustments to Beginning | | | | |
| Balance | | <u>(630)</u> | | <u>(2,546)</u> |
| | \$ | 12,934 | \$ | 56,173 |
| Original 2017 Tax Levy | \$ | 971,222 | \$ | 3,561,146 |
| Adjustment to 2017 Tax Levy | | <u>67,093</u> | | <u>246,009</u> |
| | | 1,038,315 | | 3,807,155 |
| TOTAL TO BE | | | | |
| ACCOUNTED FOR | | \$ 1,051,249 | | \$ 3,863,328 |
| TAX COLLECTIONS: | | | | |
| Prior Years | \$ | 7,876 | \$ | 32,715 |
| Current Year | | <u>1,026,563</u> | | <u>3,764,065</u> |
| | | 1,034,439 | | 3,796,780 |
| TAXES RECEIVABLE - | | | | |
| MAY 31, 2018 | | <u>\$ 16,810</u> | | <u>\$ 66,548</u> |
| TAXES RECEIVABLE BY | | | | |
| YEAR: | | | | |
| 2017 | \$ | 11,752 | \$ | 43,090 |
| 2016 | | 1,856 | | 7,687 |
| 2015 | | 970 | | 4,139 |
| 2014 | | 733 | | 3,520 |
| 2013 | | 542 | | 2,939 |
| 2012 | | 464 | | 2,516 |
| 2011 | | 225 | | 1,149 |
| 2010 | | 118 | | 664 |
| 2009 | | <u>150</u> | | <u>844</u> |
| TOTAL | \$ | <u>16,810</u> | \$ | <u>66,548</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2018

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| PROPERTY VALUATIONS: | | | | |
| Land | \$ 148,919,490 | \$ 143,249,593 | \$ 136,623,005 | \$ 130,623,043 |
| Improvements | 590,740,825 | 573,532,231 | 525,169,482 | 451,930,120 |
| Personal Property | 27,727,162 | 27,706,479 | 23,845,810 | 20,581,538 |
| Exemptions | <u>(75,177,748)</u> | <u>(89,905,121)</u> | <u>(98,126,919)</u> | <u>(88,750,894)</u> |
| TOTAL PROPERTY VALUATIONS | <u>\$ 692,209,729</u> | <u>\$ 654,583,182</u> | <u>\$ 587,511,378</u> | <u>\$ 514,383,807</u> |
| TAX RATES PER \$100 VALUATION: | | | | |
| Debt Service | \$ 0.55 | \$ 0.58 | \$ 0.64 | \$ 0.72 |
| Maintenance | <u>0.15</u> | <u>0.14</u> | <u>0.15</u> | <u>0.15</u> |
| TOTAL TAX RATES PER \$100 VALUATION | <u>\$ 0.70</u> | <u>\$ 0.72</u> | <u>\$ 0.79</u> | <u>\$ 0.87</u> |
| ADJUSTED TAX LEVY* | <u>\$ 4,845,470</u> | <u>\$ 4,712,999</u> | <u>\$ 4,641,340</u> | <u>\$ 4,475,139</u> |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | <u>98.87 %</u> | <u>99.80 %</u> | <u>99.89 %</u> | <u>99.90 %</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, 2018

| REFUNDING SERIES - 2010 | | | | |
|---|---------------------------------|---|-----------|----------------|
| Due During Fiscal Years Ending May 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total | |
| 2019 | \$ 390,000 | \$ 23,225 | \$ | 413,225 |
| 2020 | 410,000 | 8,200 | | 418,200 |
| 2021 | | | | |
| 2022 | | | | |
| 2023 | | | | |
| 2024 | | | | |
| 2025 | | | | |
| 2026 | | | | |
| 2027 | | | | |
| 2028 | | | | |
| 2029 | | | | |
| 2030 | | | | |
| 2031 | | | | |
| 2032 | | | | |
| 2033 | | | | |
| 2034 | | | | |
| 2035 | | | | |
| 2036 | | | | |
| 2037 | | | | |
| 2038 | | | | |
| 2039 | | | | |
| 2040 | | | | |
| | <u>\$ 800,000</u> | <u>\$ 31,425</u> | <u>\$</u> | <u>831,425</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

| REFUNDING SERIES - 2012 | | | | |
|---|---------------------------------|---|-----------|-------------------|
| Due During Fiscal Years Ending May 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total | |
| 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>\$ 8,795,000</u> | <u>\$ 3,658,075</u> | <u>\$</u> | <u>12,453,075</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

| S E R I E S - 2 0 1 2 | | | | |
|---|---------------------------------|---|-----------|------------------|
| Due During Fiscal Years Ending May 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total | |
| 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>\$ 4,625,000</u> | <u>\$ 3,422,963</u> | <u>\$</u> | <u>8,047,963</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

| REFUNDING SERIES - 2013 | | | | |
|---|---------------------------------|---|-----------|-------------------|
| Due During Fiscal Years Ending May 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total | |
| 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>\$ 7,015,000</u> | <u>\$ 3,237,862</u> | <u>\$</u> | <u>10,252,862</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

| REFUNDING SERIES - 2013 A | | | | |
|---|---------------------------------|---|-----------|------------------|
| Due During Fiscal Years Ending May 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total | |
| 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>\$ 4,250,000</u> | <u>\$ 565,175</u> | <u>\$</u> | <u>4,815,175</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

| S E R I E S - 2 0 1 4 | | | | |
|---|---------------------------------|---|-----------|------------------|
| Due During Fiscal Years Ending May 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total | |
| 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>\$ 2,475,000</u> | <u>\$ 2,052,906</u> | <u>\$</u> | <u>4,527,906</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

| REFUNDING SERIES - 2015 | | | | |
|---|---------------------------------|---|-----------|-------------------|
| Due During Fiscal Years Ending May 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total | |
| 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>\$ 7,720,000</u> | <u>\$ 3,442,900</u> | <u>\$</u> | <u>11,162,900</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

| REFUNDING SERIES - 2015 A | | | | |
|---|---------------------------------|---|-----------|-------------------|
| Due During Fiscal Years Ending May 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total | |
| 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>\$ 7,680,000</u> | <u>\$ 4,553,935</u> | <u>\$</u> | <u>12,233,935</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

| REFUNDING SERIES - 2017 | | | | |
|---|---------------------------------|---|-----------|-------------------|
| Due During Fiscal Years Ending May 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total | |
| 2019 | \$ | \$ 339,250 | \$ | 339,250 |
| 2020 | | 339,250 | | 339,250 |
| 2021 | 425,000 | 335,000 | | 760,000 |
| 2022 | 445,000 | 324,075 | | 769,075 |
| 2023 | 460,000 | 310,500 | | 770,500 |
| 2024 | 205,000 | 300,525 | | 505,525 |
| 2025 | 375,000 | 291,825 | | 666,825 |
| 2026 | 1,460,000 | 257,000 | | 1,717,000 |
| 2027 | 1,515,000 | 197,500 | | 1,712,500 |
| 2028 | 1,040,000 | 146,400 | | 1,186,400 |
| 2029 | 1,075,000 | 104,100 | | 1,179,100 |
| 2030 | 1,120,000 | 60,200 | | 1,180,200 |
| 2031 | 945,000 | 18,900 | | 963,900 |
| 2032 | | | | |
| 2033 | | | | |
| 2034 | | | | |
| 2035 | | | | |
| 2036 | | | | |
| 2037 | | | | |
| 2038 | | | | |
| 2039 | | | | |
| 2040 | | | | |
| | <u>\$ 9,065,000</u> | <u>\$ 3,024,525</u> | <u>\$</u> | <u>12,089,525</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

| Due During Fiscal Years Ending May 31 | S E R I E S - 2 0 1 7 | | | Total |
|---|---------------------------------|---|------------------|---------------------|
| | Principal Due September 1 | Interest Due September 1/ March 1 | | |
| 2019 | \$ | \$ | 59,213 | \$ 59,213 |
| 2020 | | | 59,213 | 59,213 |
| 2021 | 30,000 | | 58,763 | 88,763 |
| 2022 | 25,000 | | 57,938 | 82,938 |
| 2023 | 25,000 | | 57,188 | 82,188 |
| 2024 | 25,000 | | 56,438 | 81,438 |
| 2025 | 25,000 | | 55,688 | 80,688 |
| 2026 | 25,000 | | 54,937 | 79,937 |
| 2027 | 25,000 | | 54,187 | 79,187 |
| 2028 | 25,000 | | 53,437 | 78,437 |
| 2029 | 25,000 | | 52,687 | 77,687 |
| 2030 | 25,000 | | 51,937 | 76,937 |
| 2031 | 25,000 | | 51,187 | 76,187 |
| 2032 | 25,000 | | 50,437 | 75,437 |
| 2033 | 25,000 | | 49,687 | 74,687 |
| 2034 | 25,000 | | 48,906 | 73,906 |
| 2035 | 25,000 | | 48,094 | 73,094 |
| 2036 | 50,000 | | 46,875 | 96,875 |
| 2037 | 50,000 | | 45,250 | 95,250 |
| 2038 | 450,000 | | 37,125 | 487,125 |
| 2039 | 450,000 | | 22,500 | 472,500 |
| 2040 | 450,000 | | 7,594 | 457,594 |
| | <u>\$ 1,830,000</u> | <u>\$</u> | <u>1,079,281</u> | <u>\$ 2,909,281</u> |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

| ANNUAL REQUIREMENTS FOR ALL SERIES | | | |
|---|------------------------|-----------------------|--|
| Due During Fiscal Years Ending May 31 | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
| 2019 | \$ 1,790,000 | \$ 2,031,119 | \$ 3,821,119 |
| 2020 | 1,870,000 | 1,971,807 | 3,841,807 |
| 2021 | 1,945,000 | 1,911,281 | 3,856,281 |
| 2022 | 2,010,000 | 1,850,381 | 3,860,381 |
| 2023 | 2,055,000 | 1,783,413 | 3,838,413 |
| 2024 | 2,120,000 | 1,712,576 | 3,832,576 |
| 2025 | 2,195,000 | 1,639,158 | 3,834,158 |
| 2026 | 2,290,000 | 1,557,731 | 3,847,731 |
| 2027 | 2,370,000 | 1,468,232 | 3,838,232 |
| 2028 | 2,480,000 | 1,376,272 | 3,856,272 |
| 2029 | 2,560,000 | 1,279,330 | 3,839,330 |
| 2030 | 2,655,000 | 1,175,787 | 3,830,787 |
| 2031 | 2,785,000 | 1,067,112 | 3,852,112 |
| 2032 | 3,000,000 | 951,537 | 3,951,537 |
| 2033 | 3,110,000 | 829,399 | 3,939,399 |
| 2034 | 3,255,000 | 702,068 | 3,957,068 |
| 2035 | 3,410,000 | 568,706 | 3,978,706 |
| 2036 | 2,785,000 | 444,806 | 3,229,806 |
| 2037 | 2,945,000 | 330,269 | 3,275,269 |
| 2038 | 2,100,000 | 228,819 | 2,328,819 |
| 2039 | 2,200,000 | 141,181 | 2,341,181 |
| 2040 | 2,325,000 | 48,063 | 2,373,063 |
| | <u>\$ 54,255,000</u> | <u>\$ 25,069,047</u> | <u>\$ 79,324,047</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, 2018

| Description | Original Bonds Issued | Bonds Outstanding June 1, 2017 |
|--|--------------------------|--------------------------------------|
| Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2009 | \$ 7,795,000 | \$ 100,000 |
| Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2010 | 12,835,000 | 10,520,000 |
| Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2012 | 8,995,000 | 8,835,000 |
| Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2012 | 4,710,000 | 4,650,000 |
| Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2013 | 8,205,000 | 7,380,000 |
| Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2013A | 5,930,000 | 4,795,000 |
| Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2014 | 2,520,000 | 2,500,000 |
| Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2015 | 8,145,000 | 7,935,000 |
| Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2015A | 7,770,000 | 7,725,000 |
| Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2017 | 9,150,000 | |
| Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2017 | 1,830,000 | |
| TOTAL | \$ 77,885,000 | \$ 54,440,000 |

See accompanying independent auditor's report.

| Current Year Transactions | | | | | |
|---------------------------|----------------------|---------------------|-----------------------------------|--|--|
| Bonds Sold | Retirements | | Bonds Outstanding May 31, 2018 | Paying Agent | |
| | Principal | Interest | | | |
| \$ | \$ 100,000 | \$ 2,500 | \$ - 0 - | Wells Fargo Bank N.A. Dallas, TX | |
| | 9,720,000 | 36,614 | 800,000 | Wells Fargo Bank N.A. Dallas, TX | |
| | 40,000 | 343,925 | 8,795,000 | Wells Fargo Bank N.A. Dallas, TX | |
| | 25,000 | 184,887 | 4,625,000 | Wells Fargo Bank N.A. Dallas, TX | |
| | 365,000 | 274,050 | 7,015,000 | Wells Fargo Bank N.A. Dallas, TX | |
| | 545,000 | 154,825 | 4,250,000 | Wells Fargo Bank N.A. Dallas, TX | |
| | 25,000 | 117,187 | 2,475,000 | Wells Fargo Bank N.A. Dallas, TX | |
| | 215,000 | 285,850 | 7,720,000 | Wells Fargo Bank N.A. Minneapolis, MN | |
| | 45,000 | 287,131 | 7,680,000 | Wells Fargo Bank N.A. Minneapolis, MN | |
| 9,150,000 | 85,000 | 249,180 | 9,065,000 | Wells Fargo Bank N.A. Minneapolis, MN | |
| 1,830,000 | | 27,468 | 1,830,000 | Wells Fargo Bank N.A. Dallas, TX | |
| <u>\$ 10,980,000</u> | <u>\$ 11,165,000</u> | <u>\$ 1,963,617</u> | <u>\$ 54,255,000</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, 2018

| | | |
|--|----------------------|---------------------|
| Bond Authority: | <u>Tax Bonds</u> | |
| Amount Authorized by Voters | \$ 95,000,000 | |
| Amount Issued | <u>69,290,000</u> | |
| Remaining to be Issued | <u>\$ 25,710,000</u> | |
| Debt Service Fund cash and investment balances as of May 31, 2018: | | <u>\$ 6,586,814</u> |
| Average annual debt service payment (principal and interest) for remaining term of all debt: | | <u>\$ 3,605,639</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.

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

| | Amount | | |
|--|---------------------|-----------------------|---------------------|
| | 2018 | 2017 | 2016 |
| REVENUES | | | |
| Property Taxes | \$ 1,034,439 | \$ 913,196 | \$ 881,334 |
| Water Service | 899,602 | 904,918 | 897,916 |
| Wastewater Service | 1,908,597 | 1,700,235 | 1,698,150 |
| Regional Water Authority Fees | 1,139,788 | 1,015,544 | 880,009 |
| Penalty and Interest | 76,943 | 69,655 | 71,092 |
| Tap Connection and Inspection Fees | 46,275 | 76,600 | 57,100 |
| Security Revenues | 155,230 | 99,309 | 72,790 |
| Sales Tax Revenues | 172,144 | 116,692 | 134,147 |
| Water Authority Credits | 32,905 | 32,905 | 32,905 |
| Miscellaneous Revenues | 126,725 | 95,371 | 98,304 |
| TOTAL REVENUES | \$ 5,592,648 | \$ 5,024,425 | \$ 4,823,747 |
| EXPENDITURES | | | |
| Professional Fees | \$ 288,540 | \$ 287,737 | \$ 354,832 |
| Contracted Services | 1,872,340 | 1,821,612 | 1,620,234 |
| Purchased Water | 1,011,334 | 929,593 | 699,081 |
| Utilities | 225,031 | 205,611 | 224,524 |
| Regional Water Authority Assessments | 82,810 | 65,815 | 118,404 |
| Repairs and Maintenance | 1,048,726 | 926,027 | 876,126 |
| Other | 492,383 | 493,164 | 510,536 |
| Capital Outlay | 323,615 | 1,766,303 | 457,826 |
| Note Payments | | | |
| TOTAL EXPENDITURES | \$ 5,344,779 | \$ 6,495,862 | \$ 4,861,563 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | \$ 247,869 | \$ (1,471,437) | \$ (37,816) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In (Out) | \$ 1,052,706 | \$ - 0 - | \$ - 0 - |
| NET CHANGE IN FUND BALANCE | \$ 1,300,575 | \$ (1,471,437) | \$ (37,816) |
| BEGINNING FUND BALANCE | 3,508,980 | 4,980,417 | 5,018,233 |
| ENDING FUND BALANCE | \$ 4,809,555 | \$ 3,508,980 | \$ 4,980,417 |

See accompanying independent auditor's report.

| | | Percentage of Total Revenue | | | | |
|---------------------|---------------------|-----------------------------|----------------|----------------|----------------|----------------|
| 2015 | 2014 | 2018 | 2017 | 2016 | 2015 | 2014 |
| \$ 769,604 | \$ 689,141 | 18.5 % | 18.3 % | 18.4 % | 16.7 % | 15.2 % |
| 862,680 | 894,845 | 16.0 | 17.9 | 18.5 | 18.6 | 19.6 |
| 1,653,455 | 1,593,671 | 34.1 | 33.8 | 35.2 | 35.7 | 35.0 |
| 812,598 | 830,894 | 20.4 | 20.2 | 18.2 | 17.5 | 18.2 |
| 64,844 | 63,855 | 1.4 | 1.4 | 1.5 | 1.4 | 1.4 |
| 90,300 | 142,386 | 0.8 | 1.5 | 1.2 | 1.9 | 3.1 |
| 94,871 | 94,313 | 2.8 | 2.0 | 1.5 | 2.0 | 2.1 |
| 129,581 | 134,665 | 3.1 | 2.3 | 2.8 | 2.8 | 3.0 |
| 32,905 | 47,561 | 0.6 | 0.7 | 0.7 | 0.7 | 1.0 |
| 122,913 | 62,811 | 2.3 | 1.9 | 2.0 | 2.7 | 1.4 |
| <u>\$ 4,633,751</u> | <u>\$ 4,554,142</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| | | | | | | |
| \$ 238,206 | \$ 229,743 | 5.2 % | 5.7 % | 7.4 % | 5.1 % | 5.0 % |
| 1,511,074 | 1,407,785 | 33.5 | 36.3 | 33.6 | 32.6 | 30.9 |
| 725,418 | 663,097 | 18.1 | 18.5 | 14.5 | 15.7 | 14.6 |
| 212,729 | 207,216 | 4.0 | 4.1 | 4.7 | 4.6 | 4.6 |
| 51,520 | 91,119 | 1.5 | 1.3 | 2.5 | 1.1 | 2.0 |
| 913,176 | 837,146 | 18.8 | 18.4 | 18.2 | 19.7 | 18.4 |
| 579,654 | 481,553 | 8.8 | 9.8 | 10.6 | 12.5 | 10.6 |
| 139,770 | 281,319 | 5.8 | 35.2 | 9.5 | 3.0 | 6.2 |
| 9,220 | 10,055 | | | | 0.2 | 0.2 |
| <u>\$ 4,380,767</u> | <u>\$ 4,209,033</u> | <u>95.7 %</u> | <u>129.3 %</u> | <u>101.0 %</u> | <u>94.5 %</u> | <u>92.5 %</u> |
| | | | | | | |
| \$ 252,984 | \$ 345,109 | 4.3 % | (29.3) % | (1.0) % | 5.5 % | 7.5 % |
| | | | | | | |
| \$ - 0 - | \$ 78,734 | | | | | |
| \$ 252,984 | \$ 423,843 | | | | | |
| <u>4,765,249</u> | <u>4,341,406</u> | | | | | |
| | | | | | | |
| <u>\$ 5,018,233</u> | <u>\$ 4,765,249</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 | | |
|--|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2016 |
| REVENUES | | | |
| Property Taxes | \$ 3,796,780 | \$ 3,785,053 | \$ 3,764,990 |
| Penalty and Interest | 25,374 | 28,398 | 28,812 |
| Miscellaneous Revenues | 59,686 | 27,647 | 17,142 |
| TOTAL REVENUES | <u>\$ 3,881,840</u> | <u>\$ 3,841,098</u> | <u>\$ 3,810,944</u> |
| EXPENDITURES | | | |
| Tax Collection Expenditures | \$ 101,369 | \$ 97,785 | \$ 96,666 |
| Debt Service Principal | 1,820,000 | 1,690,000 | 1,560,000 |
| Debt Service Interest and Fees | 1,972,942 | 2,135,606 | 2,119,276 |
| Bond Issuance Costs | 362,397 | | 9,000 |
| Payment to Escrow Agent | 5,000 | | |
| TOTAL EXPENDITURES | <u>\$ 4,261,708</u> | <u>\$ 3,923,391</u> | <u>\$ 3,784,942</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (379,868)</u> | <u>\$ (82,293)</u> | <u>\$ 26,002</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from the Sale of Refunding Bonds | \$ 9,150,000 | \$ | \$ |
| Transfer to Refunded Bond Escrow Agent | (9,518,135) | | |
| Bond Premium | 735,539 | | |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ 367,404</u> | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> |
| NET CHANGE IN FUND BALANCE | \$ (12,464) | \$ (82,293) | \$ 26,002 |
| BEGINNING FUND BALANCE | <u>6,551,854</u> | <u>6,634,147</u> | <u>6,608,145</u> |
| ENDING FUND BALANCE | <u>\$ 6,539,390</u> | <u>\$ 6,551,854</u> | <u>\$ 6,634,147</u> |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | <u>3,869</u> | <u>3,835</u> | <u>3,798</u> |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | <u>3,788</u> | <u>3,754</u> | <u>3,718</u> |

See accompanying independent auditor's report.

| | | Percentage of Total Revenue | | | | |
|---------------------|---------------------|-----------------------------|----------------|----------------|----------------|----------------|
| 2015 | 2014 | 2018 | 2017 | 2016 | 2015 | 2014 |
| \$ 3,698,978 | \$ 3,734,591 | 97.8 % | 98.6 % | 98.8 % | 98.9 % | 98.6 % |
| 29,668 | 28,999 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 |
| 12,897 | 22,915 | 1.5 | 0.7 | 0.4 | 0.3 | 0.6 |
| <u>\$ 3,741,543</u> | <u>\$ 3,786,505</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| | | | | | | |
| \$ 98,638 | \$ 97,700 | 2.6 % | 2.5 % | 2.5 % | 2.6 % | 2.6 % |
| 1,070,000 | 1,920,000 | 46.9 | 44.0 | 40.9 | 28.6 | 50.7 |
| 2,425,985 | 2,177,740 | 50.8 | 55.6 | 55.6 | 64.8 | 57.5 |
| 691,344 | 317,210 | 9.3 | | 0.2 | 18.5 | 8.4 |
| 103,000 | 9,000 | 0.1 | | | 2.8 | 0.2 |
| <u>\$ 4,388,967</u> | <u>\$ 4,521,650</u> | <u>109.7 %</u> | <u>102.1 %</u> | <u>99.2 %</u> | <u>117.3 %</u> | <u>119.4 %</u> |
| | | | | | | |
| \$ (647,424) | \$ (735,145) | (9.7) % | (2.1) % | 0.8 % | (17.3) % | (19.4) % |
| | | | | | | |
| \$ 15,915,000 | \$ 5,930,000 | | | | | |
| (15,842,887) | (5,826,735) | | | | | |
| 635,823 | 218,995 | | | | | |
| <u>\$ 707,936</u> | <u>\$ 322,260</u> | | | | | |
| | | | | | | |
| \$ 60,512 | \$ (412,885) | | | | | |
| 6,547,633 | 6,960,518 | | | | | |
| <u>\$ 6,608,145</u> | <u>\$ 6,547,633</u> | | | | | |
| | | | | | | |
| 3,762 | 3,689 | | | | | |
| | | | | | | |
| 3,685 | 3,614 | | | | | |

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2018

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 <u>Appointed</u>) | Fees of office for the year ended <u>May 31, 2018</u> | Expense Reimbursements for the year ended <u>May 31, 2018</u> | <u>Title</u> |
|-------------------|---|--|---|--|
| Roy P. Lackey | 05/18 – 05/22 (Elected) | \$ 7,200 | \$ 4,561 | President |
| Tiffani C. Bishop | 05/16 – 05/20 (Elected) | \$ 5,700 | \$ 2,855 | Vice President/ Investment Officer |
| Sharon L. Cook | 05/16 – 05/20 (Elected) | \$ 6,900 | \$ 3,214 | Secretary |
| Allison V. Dunn | 05/18 – 05/22 (Elected) | \$ 4,950 | \$ 2,705 | Assistant Secretary |
| Eric Daniel | 05/16 – 05/20 (Elected) | \$ 3,300 | \$ -0- | 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):
June 7, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) 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, 2018

| <u>Consultants</u> | <u>Date Hired</u> | <u>Fees for the year ended May 31, 2018</u> | <u>Title</u> |
|---|-------------------|---|---------------------------------|
| Johnson Petrov LLP | 02/07/00 | \$ 125,778 \$ 164,125 | General Counsel Bond Counsel |
| McCall Gibson Swedlund Barfoot PLLC | 04/17/87 | \$ 20,80 \$ 5,800 | Auditor Other Services |
| Municipal Accounts & Consulting, L.P. | 12/20/05 | \$ 51,309 | Bookkeeper |
| Perdue, Brandon, Fielder, Collins & Mott, L.L.P. | 04/10/84 | \$ 8,117 | Delinquent Tax Attorney |
| IDS Engineering Group | 05/21/92 | \$ 249,646 | Engineer |
| Rathmann & Associates, L.P. | 05/01/03 | \$ 153,975 | Financial Advisor |
| Best Trash | 09/03/15 | \$ 557,869 | Garbage Collector |
| Katherine Turner | 12/20/05 | \$ -0- | Investment Officer |
| Eagle Water Management | 10/01/01 | \$ 1,298,234 | Operator |
| Harris County | 12/19/06 | \$ 690,781 | Security |
| Bob Leared Interests | 11/12/79 | \$ 58,347 | Tax Assessor/ Collector |

See accompanying independent auditor's report.

HARRIS COUNTY M.U.D. #368
TAX ASSESSOR/COLLECTOR'S REPORT

8/31/2018

| | | | |
|---------------------------------------|----|---------------------|----------------------------|
| Taxes Receivable: 8/31/2017 | \$ | 60,366.48 | |
| Reserve for Uncollectables | (| 14,437.06) | |
| Adjustments | | <u>124.04</u> | \$ <u>46,053.46</u> |
| Original 2017 Tax Levy | \$ | 4,532,367.52 | |
| Adjustments | | <u>308,354.71</u> | <u>4,840,722.23</u> |
| Total Taxes Receivable | | | \$ 4,886,775.69 |
| Prior Years Taxes Collected | \$ | 20,770.01 | |
| 2017 Taxes Collected (99.4%) | | <u>4,815,081.48</u> | <u>4,835,851.49</u> |
| Taxes Receivable at: 8/31/2018 | | | \$ <u>50,924.20</u> |

2017 Receivables:

| | |
|--------------|-----------|
| Debt Service | 20,146.30 |
| Maintenance | 5,494.45 |

bob leared interests

11111 Katy Freeway, Suite 725
Houston, Texas 77079-2197

Phone: (713) 932-9011
Fax: (713) 932-1150

HARRIS COUNTY M.U.D. #368

Month of
8/2018

Fiscal to Date
6/01/2018 - 8/31/2018

Beginning Cash Balance

\$ 67,675.70

114,573.07

Receipts:

| | | |
|-------------------------------|-----------|-----------|
| Current & Prior Years Taxes | 15,221.63 | 21,337.02 |
| Penalty & Interest | 2,703.60 | 5,137.33 |
| Additional Collection Penalty | 3,153.23 | 4,341.79 |
| Checking Account Interest | 3.66 | 13.33 |
| Overpayments | 44.50 | 44.50 |
| Void Checks | 115.30 | 115.30 |
| Refund - due to adjustments | | 11,641.73 |
| Rendition Penalty | 12.33 | 34.46 |

TOTAL RECEIPTS

\$ 21,254.25

42,665.46

Disbursements:

| | | |
|-------------------------------|----------|-----------|
| Atty's Fees, Delq. collection | 329.46 | 478.21 |
| CAD Quarterly Assessment | | 8,812.00 |
| Refund - due to adjustments | 3,031.33 | 19,405.45 |
| Refund - due to overpayments | | 16.51 |
| Transfer to Debt Service Fund | 5,000.00 | 35,000.00 |
| Transfer to General Fund | 713.80 | 4,254.58 |
| Tax Assessor/Collector Fee | 4,311.00 | 12,933.00 |
| Rendition Penalty CAD Portion | | 9.09 |
| Postage | 22.19 | 106.25 |
| Supplies | | 441.76 |
| Records Maintenance | | 30.00 |
| Copies | | 145.69 |
| Mileage Expense | 26.16 | 78.48 |
| Envelopes - May Del Stmts | | 31.50 |
| Tax Lien Transfers | 25.00 | 25.00 |

TOTAL DISBURSEMENTS

(\$ 13,458.94)

(81,767.52)

CASH BALANCE AT: 8/31/2018

\$ 75,471.01

75,471.01

HARRIS COUNTY M.U.D. #368

Disbursements for month of September, 2018

| Check # | Payee | Description | Amount |
|------------------------|-----------------------------|-------------------------------|--------------|
| | W/T to General Fund 9/10/18 | Transfer to General Fund | \$ 3,063.35 |
| | W/T to Debt Service 9/10/18 | Transfer to Debt Service Fund | 30,000.00 |
| 1357 | Perdue Brandon | Atty's Fees, Delq. collection | 859.10 |
| 1358 | HCAD | CAD Quarterly Assessment | 8,899.00 |
| 1359 | Frontier Title Company | Refund - due to overpayments | 44.50 |
| 1360 | Bob Leared | Tax Assessor/Collector Fee | 4,987.89 |
| TOTAL DISBURSEMENTS | | | \$ 47,853.84 |
| Remaining Cash Balance | | | \$ 27,617.17 |

Wells Fargo Bank, N.A.

HARRIS COUNTY M.U.D. #368

HISTORICAL COLLECTIONS DATA

| Year | Collections Month Of 8/2018 | Adjustments To Collections 8/2018 | Total Tax Collections at 8/31/2018 | Total Taxes Receivable at 8/31/2018 | Collection Percentage |
|------|-----------------------------------|---|--|---|--------------------------|
| 2017 | 14,235.37 | | 4,815,081.48 | 25,640.75 | 99.470 |
| 2016 | 906.61 | | 4,694,651.49 | 6,389.76 | 99.864 |
| 2015 | 23.70 | | 4,632,020.09 | 5,085.56 | 99.890 |
| 2014 | 26.10 | | 4,465,468.99 | 4,227.02 | 99.905 |
| 2013 | 29.85 | | 4,427,614.62 | 3,452.11 | 99.922 |
| 2012 | | | 4,113,991.71 | 2,979.96 | 99.928 |
| 2011 | | | 3,999,885.13 | 1,374.09 | 99.966 |
| 2010 | | | 3,978,230.77 | 781.61 | 99.980 |
| 2009 | | | 4,134,761.50 | 993.34 | 99.976 |
| 2008 | | | 4,197,842.44 | | 100.000 |
| 2007 | | | 3,980,340.19 | | 100.000 |
| 2006 | | | 3,756,258.77 | | 100.000 |
| 2005 | | | 3,611,815.76 | | 100.000 |
| 2004 | | | 2,772,538.51 | | 100.000 |
| 2003 | | | 2,155,147.68 | | 100.000 |
| 2002 | | | 1,423,495.12 | | 100.000 |
| 2001 | | | 1,017,839.62 | | 100.000 |
| 2000 | | | 795,991.91 | | 100.000 |
| 1999 | | | 549,996.48 | | 100.000 |
| 1998 | | | 353,610.10 | | 100.000 |
| 1997 | | | 335,522.40 | | 100.000 |
| 1996 | | | 299,066.25 | | 100.000 |
| 1995 | | | 557,545.88 | | 100.000 |
| 1994 | | | 539,134.94 | | 100.000 |
| 1993 | | | 485,953.09 | | 100.000 |
| 1992 | | | 446,920.13 | | 100.000 |
| 1991 | | | 445,171.72 | | 100.000 |
| 1990 | | | 444,047.27 | | 100.000 |
| 1989 | | | 503,531.71 | | 100.000 |
| 1988 | | | 538,692.54 | | 100.000 |
| 1987 | | | 594,187.85 | | 100.000 |
| 1986 | | | 504,848.06 | | 100.000 |
| 1985 | | | 491,169.45 | | 100.000 |
| 1984 | | | 441,038.67 | | 100.000 |
| 1983 | | | 267,404.55 | | 100.000 |
| 1982 | | | 139,274.57 | | 100.000 |
| 1981 | | | 105,337.87 | | 100.000 |

(Percentage of collections same period last year 99.426)

HARRIS COUNTY M.U.D. #368

HISTORICAL TAX DATA

| Year | Taxable Value | SR/CR | Tax Rate | Adjustments | Reserve for Uncollectibles | Adjusted Levy |
|------|---------------|---------|----------|-------------|----------------------------|---------------|
| 2017 | 691,531,459 | 11 / 11 | .700000 | 308,354.71 | | 4,840,722.23 |
| 2016 | 652,922,391 | 22 / 22 | .720000 | 435,142.72 | | 4,701,041.25 |
| 2015 | 586,975,369 | 31 / 31 | .790000 | 499,044.41 | | 4,637,105.65 |
| 2014 | 513,758,120 | 42 / 42 | .870000 | 520,062.04 | | 4,469,696.01 |
| 2013 | 445,333,252 | 55 / 55 | .995000 | 369,304.75 | | 4,431,066.73 |
| 2012 | 413,765,920 | 52 / 52 | .995000 | 265,248.05 | | 4,116,971.67 |
| 2011 | 423,472,450 | 59 / 59 | .945000 | 135,547.61 | 556.99 | 4,001,259.22 |
| 2010 | 427,881,644 | 01 / 50 | .930000 | 251,592.17 | 287.01 | 3,979,012.38 |
| 2009 | 444,747,413 | 01 / 62 | .930000 | 422,509.96 | 396.04 | 4,135,754.84 |
| 2008 | 451,411,165 | 02 / 63 | .930000 | 442,920.14 | 281.60 | 4,197,842.44 |
| 2007 | 414,694,425 | 01 / 60 | .960000 | 799,097.66 | 726.32 | 3,980,340.19 |
| 2006 | 361,201,441 | 01 / 63 | 1.040000 | 460,719.16 | 236.90 | 3,756,258.77 |
| 2005 | 316,871,315 | 01 / 59 | 1.140000 | 706,610.53 | 516.88 | 3,611,815.76 |
| 2004 | 237,049,500 | 01 / 30 | 1.170000 | 287,414.46 | 940.85 | 2,772,538.51 |
| 2003 | 179,635,110 | 04 / 28 | 1.200000 | 330,474.84 | 473.64 | 2,155,147.68 |
| 2002 | 117,709,120 | 01 / 23 | 1.210000 | 164,753.13 | 785.29 | 1,423,495.12 |
| 2001 | 79,404,260 | 05 / 39 | 1.282500 | 90,749.26 | 520.70 | 1,017,839.62 |
| 2000 | 57,162,760 | 28 / 28 | 1.392500 | 149,299.28 | | 795,991.91 |
| 1999 | 38,133,900 | 20 / 20 | 1.442500 | 22,374.80 | 85.69 | 549,996.48 |
| 1998 | 24,126,690 | 00 / 00 | 1.450000 | 24,942.69 | 102.52 | 353,610.10 |
| 1997 | 22,192,300 | 00 / 00 | 1.500000 | 71,205.00 | 1,371.15 | 335,522.40 |
| 1996 | 19,749,080 | 00 / 00 | 1.500000 | 37,231.80 | 1,179.15 | 299,066.25 |
| 1995 | 18,986,870 | 00 / 00 | 2.900000 | 125,986.44 | 824.18 | 557,545.88 |
| 1994 | 18,601,390 | 00 / 00 | 2.900000 | 83,633.39 | 305.37 | 539,134.94 |
| 1993 | 19,085,750 | 00 / 00 | 2.550000 | 33,571.56 | 733.65 | 485,953.09 |
| 1992 | 19,481,680 | 00 / 00 | 2.300000 | 25,234.91 | 837.20 | 446,920.13 |
| 1991 | 21,379,260 | 00 / 00 | 2.089000 | 22,066.11 | 1,441.20 | 445,171.72 |
| 1990 | 22,158,550 | 00 / 00 | 2.005000 | 32,376.59 | 233.38 | 444,047.27 |
| 1989 | 25,307,850 | 00 / 00 | 1.990000 | 21,224.74 | 94.53 | 503,531.71 |
| 1988 | 28,456,960 | 00 / 00 | 1.830000 | 68,696.92 | 36.05 | 538,692.54 |
| 1987 | 31,161,730 | 00 / 00 | 1.830000 | 39,613.84 | 1,470.77 | 594,187.85 |
| 1986 | 32,494,500 | 00 / 00 | 1.490000 | 42,125.72 | | 504,848.06 |
| 1985 | 32,964,390 | 00 / 00 | 1.490000 | 76,165.82 | | 491,169.45 |
| 1984 | 29,599,910 | 00 / 00 | 1.490000 | 243,327.73 | | 441,038.67 |
| 1983 | 17,946,614 | 00 / 00 | 1.490000 | | | 267,404.55 |
| 1982 | 9,605,143 | 00 / 00 | 1.450000 | | | 139,274.57 |
| 1981 | 7,264,681 | 00 / 00 | 1.450000 | | | 105,337.87 |

HARRIS COUNTY M.U.D. #368

TAX RATE COMPONENTS

| Year | Debt Service Rate | Debt Service Levy | Maintenance Rate | Maintenance Levy |
|------|----------------------|----------------------|---------------------|---------------------|
| 2017 | .550000 | 3,803,424.68 | .150000 | 1,037,297.55 |
| 2016 | .580000 | 3,786,950.10 | .140000 | 914,091.15 |
| 2015 | .640000 | 3,756,642.63 | .150000 | 880,463.02 |
| 2014 | .720000 | 3,699,058.74 | .150000 | 770,637.27 |
| 2013 | .840000 | 3,740,800.03 | .155000 | 690,266.70 |
| 2012 | .840000 | 3,475,634.35 | .155000 | 641,337.32 |
| 2011 | .790000 | 3,344,967.88 | .155000 | 656,291.34 |
| 2010 | .790000 | 3,380,021.41 | .140000 | 598,990.97 |
| 2009 | .790000 | 3,513,168.23 | .140000 | 622,586.61 |
| 2008 | .790000 | 3,565,909.31 | .140000 | 631,933.13 |
| 2007 | .820000 | 3,399,874.04 | .140000 | 580,466.15 |
| 2006 | .920000 | 3,322,844.35 | .120000 | 433,414.42 |
| 2005 | 1.020000 | 3,231,624.48 | .120000 | 380,191.28 |
| 2004 | 1.050000 | 2,488,175.59 | .120000 | 284,362.92 |
| 2003 | 1.080000 | 1,939,632.91 | .120000 | 215,514.77 |
| 2002 | 1.090000 | 1,282,321.98 | .120000 | 141,173.14 |
| 2001 | 1.140000 | 904,746.34 | .142500 | 113,093.28 |
| 2000 | 1.250000 | 714,534.95 | .142500 | 81,456.96 |
| 1999 | 1.300000 | 495,664.09 | .142500 | 54,332.39 |
| 1998 | 1.300000 | 317,029.74 | .150000 | 36,580.36 |
| 1997 | 1.300000 | 290,786.09 | .200000 | 44,736.31 |
| 1996 | 1.300000 | 259,190.76 | .200000 | 39,875.49 |
| 1995 | 2.670000 | 513,326.75 | .230000 | 44,219.13 |
| 1994 | 2.700000 | 501,953.23 | .200000 | 37,181.71 |
| 1993 | 2.350000 | 447,839.11 | .200000 | 38,113.98 |
| 1992 | 2.100000 | 408,057.52 | .200000 | 38,862.61 |
| 1991 | 1.975000 | 420,877.99 | .114000 | 24,293.73 |
| 1990 | 1.900000 | 420,956.81 | .105000 | 23,090.46 |
| 1989 | 1.900000 | 480,872.78 | .090000 | 22,658.93 |
| 1988 | 1.750000 | 514,990.07 | .080000 | 23,702.47 |
| 1987 | 1.750000 | 568,043.58 | .080000 | 26,144.27 |
| 1986 | 1.450000 | 491,217.16 | .040000 | 13,630.90 |
| 1985 | 1.450000 | 477,907.87 | .040000 | 13,261.58 |
| 1984 | 1.450000 | 429,130.63 | .040000 | 11,908.04 |
| 1983 | 1.450000 | 260,184.63 | .040000 | 7,219.92 |
| 1982 | 1.450000 | 139,274.57 | | |
| 1981 | 1.450000 | 105,337.87 | | |

HARRIS COUNTY M.U.D. #368

Notes:

| | | |
|------------|-----------------------|-----------|
| 2013 | Agriculture Deferment | 8,468.48 |
| 2014 | Agriculture Deferment | 7,404.69 |
| 2015 | Agriculture Deferment | 6,723.81 |
| 2016 | Agriculture Deferment | 7,536.27 |
| 2017 | Agriculture Deferment | 7,326.86 |
| Total ---> | | 37,460.11 |

\$ 115.30 - VOID CHECK #1354 ORIGINALLY ISSUED 8/1/18. RETURNED BY POST
OFFICE AS REFUSED. WILL REISSUE CHECK UPON TAXPAYERS REQUEST.
ACCT #9900-226-2842

HARRIS COUNTY M.U.D. #368

| Tax Exemptions: | 2017 | 2016 | 2015 |
|------------------------|-------|-------|-------|
| Homestead | .000 | .000 | .000 |
| Over 65 | 3,000 | 3,000 | 3,000 |
| Disabled | 3,000 | 3,000 | 3,000 |

Last Bond Premium Paid:

| Payee | Date of Check | Amount |
|-----------------|---------------|--------|
| HARCO | 3/05/2018 | 250.00 |
| 6/1/18 - 6/1/21 | | |

| Adjustment Summary: | 2017 | |
|----------------------------|------------|------------|
| 11/2017 | / CORR 003 | 314,244.48 |
| 12/2017 | / CORR 004 | 3,566.28 |
| 1/2018 | / CORR 005 | 2,556.88 |
| 2/2018 | / CORR 006 | 1,435.22 |
| 3/2018 | / CORR 007 | 3,213.80- |
| 4/2018 | / CORR 008 | 1,316.79 |
| 5/2018 | / CORR 009 | 6,803.23- |
| 6/2018 | / CORR 010 | 3,695.28- |
| 7/2018 | / CORR 011 | 1,052.63- |
| TOTAL | | 308,354.71 |



**MUNICIPAL ACCOUNTS
& CONSULTING, L.P.**

**Harris County Municipal Utility
District No. 368**

Bookkeeper's Report

September 20, 2018

Harris County Municipal Utility District No. 368

Account Balances

As of September 20, 2018

| Financial Institution (Acct Number) | Issue Date | Maturity Date | Interest Rate | Account Balance | Notes |
|--|-----------------------|--------------------------|--------------------------|----------------------------|------------------|
| Fund: Operating | | | | | |
| Certificates of Deposit | | | | | |
| SPIRIT OF TEXAS BANK (XXXX5618) | 11/28/2017 | 11/28/2018 | 1.10 % | 240,000.00 | |
| TEXAS CAPITAL BANK (XXXX0254) | 11/28/2017 | 11/28/2018 | 1.25 % | 240,000.00 | |
| ALLEGIANCE BANK (XXXX5654) | 11/30/2017 | 11/30/2018 | 1.05 % | 240,000.00 | |
| BANCORPSOUTH (XXXX1914) | 12/19/2017 | 12/19/2018 | 1.10 % | 215,000.00 | |
| ICON BANK (XXXX2935) | 01/05/2018 | 01/05/2019 | 1.25 % | 240,000.00 | |
| GREEN BANK (XXXX0407) | 03/09/2018 | 03/08/2019 | 1.30 % | 240,000.00 | |
| REGIONS BANK (XXXX6910) | 04/18/2018 | 04/18/2019 | 2.04 % | 240,000.00 | |
| CADENCE BANK (XXXX2513) | 05/17/2018 | 05/18/2019 | 2.06 % | 240,000.00 | |
| CENTRAL BANK (XXXX0337) | 05/26/2018 | 05/26/2019 | 2.05 % | 240,000.00 | |
| Money Market Funds | | | | | |
| TEXPOOL (XXXX0003) | 05/31/2005 | | 1.92 % | 546,198.39 | |
| TEXAS CLASS (XXXX0001) | 07/17/2018 | | 2.23 % | 1,746,891.14 | |
| Checking Account(s) | | | | | |
| COMPASS BANK-CHECKING (XXXX4015) | | | 0.10 % | 23,883.18 | Checking Account |
| Totals for Operating Fund: | | | | \$4,451,972.71 | |
| Fund: Capital Projects | | | | | |
| Money Market Funds | | | | | |
| TEXPOOL (XXXX0007) | 08/03/2012 | | 1.92 % | 146,440.91 | SERIES 2012 |
| TEXPOOL (XXXX0010) | 09/20/2017 | | 1.92 % | 94,901.22 | Series 2017 |
| Checking Account(s) | | | | | |
| COMPASS BANK-CHECKING (XXXX7091) | | | 0.10 % | 315.46 | Checking Account |
| Totals for Capital Projects Fund: | | | | \$241,657.59 | |
| Fund: Debt Service | | | | | |
| Certificates of Deposit | | | | | |
| CADENCE BANK - DEBT (XXXX3672) | 02/05/2018 | 02/05/2019 | 1.33 % | 240,000.00 | |
| THIRD COAST BANK-DEBT (XXXX2225) | 02/08/2018 | 02/08/2019 | 1.30 % | 240,000.00 | |
| SPIRIT OF TX BANK - DEBT (XXXX3234) | 02/09/2018 | 02/09/2019 | 1.25 % | 240,000.00 | |
| CENTRAL BANK - DEBT (XXXX0353) | 02/10/2018 | 02/10/2019 | 1.25 % | 240,000.00 | |
| COMPASS BANK-PREMIER (XXXX6693) | 02/10/2018 | 02/11/2019 | 1.30 % | 240,000.00 | |
| BUSINESS BANK OF TX- DEBT (XXXX320) | 02/13/2018 | 02/13/2019 | 1.75 % | 240,000.00 | |
| UNITED TEXAS BANK-DEBT (XXXX6068) | 08/14/2018 | 08/14/2019 | 2.45 % | 240,000.00 | |
| TEXAS CAPITAL BANK-DEBT (XXXX0105) | 08/15/2018 | 08/15/2019 | 2.40 % | 240,000.00 | |
| GREEN BANK - DEBT (XXXX3888) | 08/16/2018 | 08/16/2019 | 2.40 % | 240,000.00 | |
| Money Market Funds | | | | | |
| TEXPOOL (XXXX0001) | 10/01/2005 | | 1.92 % | 1,432,527.03 | |
| COMPASS BANK-DEBT (XXXX7084) | 04/11/2013 | | 0.25 % | 148,594.30 | |
| Totals for Debt Service Fund: | | | | \$3,741,121.33 | |
| Grand total for Harris County Municipal Utility District No. 368: | | | | \$8,434,751.63 | |

Harris Co MUD 368 GOF
Cash Flow Report - Checking Account
As of September 20, 2018

| Num | Name | Memo | Amount | Balance |
|---------------------------------|----------------------------------|---|------------|--------------------|
| BALANCE AS OF 08/17/2018 | | | | \$31,930.02 |
| Receipts | | | | |
| | Accounts Receivable - August | | 345,151.51 | |
| | Accounts Receivable - August O/S | | 40,446.71 | |
| | Interest on Checking | | 79.47 | |
| | Tap Connections | | 3,800.00 | |
| | Payment from District Attorney | | 300.00 | |
| | SPA Revenue | | 13,377.19 | |
| | SPA Revenue | | 20,049.22 | |
| | Reimbursement of Double Payment | | 37,503.00 | |
| | Transfer from Investments | | 75,000.00 | |
| Total Receipts | | | | 535,707.10 |
| Disbursements | | | | |
| 16382 | Lynn T Haag | VOID: Deposit Refund (\$56.03) | 0.00 | |
| 16420 | Lupe Tortilla | Meal Expense | (303.16) | |
| 16421 | Lupe Tortilla | Meal Expense | (315.07) | |
| 16422 | Johnson Petrov LLP | VOID: Legal Fees (\$8,536.74) | 0.00 | |
| 16503 | Comcast | Telephone / Internet | (2,533.22) | |
| 16504 | CenterPoint Energy | Natural Gas | (211.77) | |
| 16508 | Tolunay-Wong Engineers, Inc. | Extreme Event Swales Project Manhole Installation | (971.50) | |
| 16509 | Roy Lackey | Fees of Office - 09.20.2018 | (120.22) | |
| 16510 | Allison V Dunn | Fees of Office - 09.20.2018 | (138.52) | |
| 16511 | Eric J. Daniel | Fees of Office - 09.20.2018 | (138.52) | |
| 16512 | Sharon Cook | Fees of Office - 09.20.2018 | (123.53) | |
| 16513 | Tiffani Bishop | Fees of Office - 09.20.2018 | (138.53) | |
| 16514 | Roy Lackey | Fees of Office - 09.06.2018 | (120.21) | |
| 16515 | Allison V Dunn | Fees of Office - 09.06.2018 | (138.53) | |
| 16516 | Sharon Cook | Fees of Office - 09.06.2018 | (123.52) | |
| 16517 | Tiffani Bishop | Fees of Office - 09.06.2018 | (138.52) | |
| 16518 | Roy Lackey | Fees of Office - Ops Meeting - 08.30.2018 | (120.22) | |
| 16519 | Sharon Cook | Fees of Office - Ops Meeting - 08.30.2018 | (123.53) | |
| 16520 | Adroit Landstyle LLC | Deposit Refund | (67.85) | |
| 16521 | Albert Vasquez | Deposit Refund | (56.03) | |
| 16522 | Alexander Pace | Deposit Refund | (51.91) | |
| 16523 | Amanda St Clair | Deposit Refund | (182.51) | |
| 16524 | Anastasia C Hierholzer | Deposit Refund | (216.18) | |
| 16525 | Aracely Gonzalez Pruneda | Deposit Refund | (56.03) | |
| 16526 | Ather Jamil | Deposit Refund | (64.27) | |
| 16527 | Bani Areli Garza | Deposit Refund | (190.00) | |
| 16528 | Barbara Karen | Deposit Refund | (64.27) | |
| 16529 | Blake Hammer | Deposit Refund | (56.03) | |
| 16530 | Cheryl Ann Case | Deposit Refund | (145.78) | |
| 16531 | Chris Joyce | Deposit Refund | (36.05) | |
| 16532 | Chuck & Heidi Jircik | Deposit Refund | (125.00) | |
| 16533 | Del Morales | Deposit Refund | (47.79) | |
| 16534 | Elda Lisette Martinez Cruz | Deposit Refund | (18.99) | |
| 16535 | Glen Albert Dickson | Deposit Refund | (64.27) | |
| 16536 | Jason Kaptchinski | Deposit Refund | (83.69) | |
| 16537 | Jeffrey Ray Allen | Deposit Refund | (60.15) | |
| 16538 | Jennifer M Duncan | Deposit Refund | (60.15) | |
| 16539 | Jessica Shea Cook | Deposit Refund | (68.39) | |

Harris Co MUD 368 GOF
Cash Flow Report - Checking Account
As of September 20, 2018

| Num | Name | Memo | Amount | Balance |
|----------------------|---|--|--------------|---------|
| Disbursements | | | | |
| 16540 | Justin Waltz | Deposit Refund | (125.00) | |
| 16541 | Kevin Dwayne Miles | Deposit Refund | (64.27) | |
| 16542 | Lynn T Haag | Deposit Refund | (56.03) | |
| 16543 | Mauren Kunz | Deposit Refund | (64.27) | |
| 16544 | Megan Elizabeth Gifford | Deposit Refund | (64.32) | |
| 16545 | Melissa Saxton | Deposit Refund | (31.25) | |
| 16546 | Michael Butler | Deposit Refund | (58.24) | |
| 16547 | Michael Cantu | Deposit Refund | (60.15) | |
| 16548 | Michael Whitlock | Deposit Refund | (63.27) | |
| 16549 | Miguel Fonseca | Deposit Refund | (17.13) | |
| 16550 | Olga Bragg | Deposit Refund | (62.97) | |
| 16551 | Roger William Gleason | Deposit Refund | (48.54) | |
| 16552 | Scott Steinsiek | Deposit Refund | (51.91) | |
| 16553 | Shane Timothy Butler | Deposit Refund | (51.91) | |
| 16554 | Simone Bassi Wall | Deposit Refund | (36.05) | |
| 16555 | Steffani Joellen Dougan | Deposit Refund | (51.91) | |
| 16556 | Syed Imtiazuddin | Deposit Refund | (30.88) | |
| 16557 | Thanh Nguyen | Deposit Refund | (25.11) | |
| 16558 | TTK Properties LLC | Deposit Refund | (60.15) | |
| 16559 | Warren Glynn Giese | Deposit Refund | (60.15) | |
| 16560 | Zulma Hay | Deposit Refund | (144.96) | |
| 16561 | Juan Asturias | Refund Check | (800.00) | |
| 16562 | Association of Water Board Directors | 2019 AWBD Mid Winter Conference Registration | (1,180.00) | |
| 16563 | Best Trash | Curbside Cart Trash Pick up - August | (47,175.82) | |
| 16564 | Camino Services | Pay App #3 & #4 | (28,800.43) | |
| 16565 | Eagle Water Management, Inc. | Operations | (94,921.69) | |
| 16566 | Electrical Field Services, Inc. | Maintenance & Repairs | (7,979.06) | |
| 16567 | Graceview Baptist Church | Rent - Meeting Facility September 2018 | (100.00) | |
| 16568 | Harris County Treasurer | Security | (58,705.00) | |
| 16569 | Hudson Energy | Electricity Expense | (18,995.79) | |
| 16570 | IDS Engineering Group | Engineering Fees | (49,128.04) | |
| 16571 | Johnson Petrov LLP | Legal Fees - To replace Check #16422 | (8,536.74) | |
| 16572 | King Fab, LLC. | Well#1 | (821.79) | |
| 16573 | Lawns & More | Mowing | (18,063.50) | |
| 16574 | Municipal Accounts & Consulting, LP | Bookkeeping Fee | (5,525.53) | |
| 16575 | North Harris Cty Regional Water Authority | Surface Water Fee | (132,112.31) | |
| 16576 | Off Cinco | Website | (500.00) | |
| 16577 | On-Site Protection LLC | Security | (9,153.15) | |
| 16578 | Pardalis Industrial Enterprises, Inc. | Pay App # 5 | (8,887.50) | |
| 16579 | Phillips Cleaning Services, LLC | Janitorial Services - September 2018 | (140.00) | |
| 16580 | PWC Solutions, Inc. | Chemicals | (6,331.50) | |
| 16581 | Residential Recycling of Texas, Inc. | Recycling Expense -September | (12,233.60) | |
| 16582 | Sales Revenue, Inc. | Sales Tracking September 2018 | (583.00) | |
| 16583 | Source Point Solutions, LLC. | Vactor Service - WWTP | (5,816.00) | |
| 16584 | Trinity Wastewater Solutions Company | Mobile Dewatering 08/2018 | (9,361.01) | |
| 16585 | WCA Waste Corporation | Trash Collection - 19744 1/2 Logan Briar Dr | (19.22) | |
| 16586 | Comcast | Telephone / Internet Expense | 0.00 | |
| 16587 | CenterPoint Energy | Natural Gas | 0.00 | |
| 16588 | . | Meal Expense | 0.00 | |

Harris Co MUD 368 GOF
Cash Flow Report - Checking Account
 As of September 20, 2018

| Num | Name | Memo | Amount | Balance |
|---------------------------------|--------------------|----------------------------|------------|--------------------|
| Disbursements | | | | |
| 16589 | . | Meal Expense | 0.00 | |
| 16590 | Johnson Petrov LLP | Legal Fees - General 08/18 | (7,488.86) | |
| Bnk Chg | Compass Bank | Acct Maintenance Fee | (18.00) | |
| Bnk Chg | Compass Bank | ACH Debit Per Item Fee | (708.52) | |
| Bnk Chg | Compass Bank | Return Item Charge Back | (965.50) | |
| Total Disbursements | | | | (543,753.94) |
| BALANCE AS OF 09/20/2018 | | | | \$23,883.18 |

Harris Co MUD 368 Capital Project
Cash Flow Report - Checking Account
As of September 20, 2018

| Num | Name | Memo | Amount | Balance |
|---------------------------------|-------------------------------------|----------------------|---------|-----------------|
| BALANCE AS OF 08/17/2018 | | | | \$365.46 |
| Receipts | | | | |
| | Interest Earned on Checking | | 0.05 | |
| Total Receipts | | | | 0.05 |
| Disbursements | | | | |
| 1702 | Municipal Accounts & Consulting, LP | Update CPF Analysis | (50.00) | |
| BNK CHG | Compass Bank | Bank Service Charges | (0.05) | |
| Total Disbursements | | | | (50.05) |
| BALANCE AS OF 09/20/2018 | | | | \$315.46 |

HARRIS COUNTY MUD NO. 368

Capital Projects Fund Breakdown

September 30, 2018

Net Proceeds for All Bond Issues

Receipts

| | |
|---------------------------------|--------------|
| Prior Surplus Funds | 162,556.00 |
| Series 2009 - Bond Proceeds | 7,795,000.00 |
| Series 2009 - Interest Earnings | 32,686.59 |
| Series 2012 - Bond Proceeds | 4,710,000.00 |
| Series 2012 - Interest Earnings | \$12,048.24 |
| Series 2014 - Bond Proceeds | 2,520,000.00 |
| Series 2014- Interest Earnings | 10.02 |
| Series 2017 - Bond Proceeds | 1,830,000.00 |
| Series 2017- Interest Earnings | \$1,420.92 |

| | |
|-----------------------|----------------------|
| Total Receipts | 17,063,721.77 |
|-----------------------|----------------------|

Disbursements

| | |
|------------------------------|--------------|
| Series 2009 Bond Issue Costs | 7,990,188.60 |
| Series 2012 Bond Issue Costs | 4,576,345.86 |
| Series 2014 Bond Issue Costs | 2,520,010.02 |
| Series 2017 Bond Issue Costs | 1,776,564.70 |

| | |
|----------------------------|----------------------|
| Total Disbursements | 16,863,109.18 |
|----------------------------|----------------------|

| | |
|---------------------------|-------------------|
| Total Cash Balance | 241,657.59 |
|---------------------------|-------------------|

Balances by Account

| | |
|----------------------------|------------|
| Compass - XXXX7091 | \$315.46 |
| Texpool xx006- Series 2009 | - |
| Texpool xx007- Series 2012 | 146,440.91 |
| Texpool xx008- Series 2014 | - |
| Texpool xx010- Series 2017 | 94,901.22 |

| | |
|---------------------------|---------------------|
| Total Cash Balance | \$241,657.59 |
|---------------------------|---------------------|

Balances by Bond Series

| | |
|-------------|------------|
| Series 2009 | 53.94 |
| Series 2012 | 145,702.43 |
| Series 2014 | (0.00) |
| Series 2017 | 94,901.22 |

| | |
|---------------------------|-------------------|
| Total Cash Balance | 241,657.59 |
|---------------------------|-------------------|

Remaining Costs/Surplus By Bond Series

| | |
|--|-----------------|
| Series 2009 - Remaining Costs | - |
| Series 2012 | - |
| Series 2014 | (0.00) |
| Total Amount in Remaining Costs | (\$0.00) |

| | |
|---|-------------------|
| Series 2009 - Interest | \$32,686.59 |
| Series 2009 - Surplus | (\$32,632.65) |
| Series 2012 - Surplus & Interest | 145,702.43 |
| Series 2014 - Surplus & Interest | \$ (0.00) |
| Series 2017 - Surplus & Interest | \$94,901.22 |
| Total Surplus & Interest Balance | 240,657.59 |

| | |
|--------------------------------------|-------------------|
| Total Remaining Costs/Surplus | 241,657.59 |
|--------------------------------------|-------------------|

Harris Co MUD 368 GOF
Actual vs. Budget Comparison
August 2018

| | | August 2018 | | | June 2018 - August 2018 | | | Annual |
|-----------------------|---------------------------------|--------------------|----------------|---------------------|--------------------------------|------------------|---------------------|------------------|
| | | Actual | Budget | Over/(Under) | Actual | Budget | Over/(Under) | Budget |
| Revenues | | | | | | | | |
| 14100 | Water Revenue | 82,556 | 78,000 | 4,556 | 250,678 | 243,000 | 7,678 | 895,000 |
| 14102 | Surface Water - NHCWRA | 141,246 | 110,000 | 31,246 | 390,836 | 330,000 | 60,836 | 1,220,000 |
| 14120 | Reconnection Fee | 5,712 | 3,750 | 1,962 | 14,577 | 11,250 | 3,327 | 45,000 |
| 14125 | Meter Rental | 0 | 375 | (375) | 400 | 1,125 | (725) | 4,500 |
| 14200 | Sewer Revenue | 156,254 | 160,000 | (3,746) | 482,697 | 490,000 | (7,303) | 1,800,000 |
| 14201 | Sewer Inspection Fee Revenue | 0 | 170 | (170) | 0 | 505 | (505) | 2,000 |
| 14202 | Customer Service Inspection Rev | 0 | 375 | (375) | 0 | 1,125 | (1,125) | 4,500 |
| 14203 | Final Builder Inspection | 0 | 165 | (165) | 0 | 495 | (495) | 2,000 |
| 14320 | Maintenance Tax | 714 | 4,000 | (3,286) | 4,255 | 10,000 | (5,745) | 1,010,000 |
| 14325 | SPA Revenue | 13,377 | 11,667 | 1,710 | 44,570 | 34,997 | 9,573 | 140,000 |
| 14326 | Security Service Revenue | 11,110 | 10,000 | 1,110 | 32,730 | 30,000 | 2,730 | 130,000 |
| 14330 | Penalties & Interest | 6,693 | 5,665 | 1,028 | 19,265 | 17,015 | 2,250 | 68,000 |
| 14380 | Miscellaneous Income | 300 | 100 | 200 | 442 | 300 | 142 | 1,100 |
| 14391 | Interest Earned on Temp Invest | 6,741 | 2,500 | 4,241 | 16,155 | 7,500 | 8,655 | 30,000 |
| 14392 | Interest Earned on Checking | 79 | 70 | 9 | 230 | 205 | 25 | 800 |
| 14600 | Tap Connections | 3,800 | 3,750 | 50 | 10,450 | 11,250 | (800) | 45,000 |
| 15379 | Transfer Fees | 1,425 | 1,350 | 75 | 4,775 | 3,850 | 925 | 16,000 |
| Total Revenues | | 430,006 | 391,937 | 38,069 | 1,272,060 | 1,192,617 | 79,443 | 5,413,900 |
| Expenditures | | | | | | | | |
| 16135 | Maintenance & Repairs - Water | 30,119 | 16,500 | 13,619 | 77,089 | 49,500 | 27,589 | 200,000 |
| 16140 | Purchased Surface Water | 76,738 | 90,000 | (13,262) | 260,526 | 270,000 | (9,474) | 1,070,000 |
| 16142 | Chemicals - Water | 2,174 | 750 | 1,424 | 4,941 | 2,250 | 2,691 | 9,000 |
| 16150 | Fire Hydrant Meter Rental | 400 | 400 | 0 | 800 | 1,200 | (400) | 4,400 |
| 16170 | Tap Connection Expense | 1,350 | 1,750 | (400) | 3,600 | 5,250 | (1,650) | 21,000 |
| 16180 | Reconnections | 4,880 | 4,150 | 730 | 13,010 | 12,450 | 560 | 50,050 |
| 16235 | Maintenance & Repairs - Sewer | 21,914 | 20,500 | 1,414 | 109,793 | 61,500 | 48,293 | 250,000 |
| 16237 | Northern Point Drainage | 13,811 | 15,000 | (1,189) | 15,299 | 17,500 | (2,201) | 270,000 |
| 16242 | Chemicals - Sewer | 4,158 | 4,165 | (7) | 16,196 | 12,495 | 3,701 | 50,000 |
| 16245 | Ditch Cleanout | 0 | 2,500 | (2,500) | 0 | 7,500 | (7,500) | 30,000 |
| 16257 | Rents & Leases | 100 | 100 | 0 | 300 | 300 | 0 | 1,425 |
| 16260 | Sludge Removal | 9,361 | 0 | 9,361 | 18,668 | 23,750 | (5,082) | 95,000 |
| 16261 | Recycling | 12,218 | 10,665 | 1,553 | 33,559 | 32,015 | 1,544 | 128,000 |
| 16270 | Grease Trap Inspection Expense | 0 | 270 | (270) | 0 | 810 | (810) | 3,240 |
| 16274 | Facility Pre-Inspection | 0 | 150 | (150) | 0 | 430 | (430) | 1,440 |
| 16275 | Inspection Fee - Sewer | 140 | 200 | (60) | 385 | 700 | (315) | 2,500 |
| 16276 | Final Builder Inspection Exp. | 70 | 250 | (180) | 280 | 750 | (470) | 2,880 |
| 16278 | Customer Service Inspection | 175 | 250 | (75) | 610 | 750 | (140) | 2,880 |
| 16319A | Generators-Fuel | 2,322 | 0 | 2,322 | 2,322 | 4,500 | (2,178) | 9,500 |
| 16319B | Generators-M&R | 955 | 3,000 | (2,045) | 25,030 | 9,000 | 16,030 | 35,500 |
| 16320 | Legal Fees | 7,255 | 9,165 | (1,910) | 19,430 | 27,495 | (8,065) | 110,000 |
| 16321 | Auditor Fees | 14,000 | 13,500 | 500 | 14,000 | 13,500 | 500 | 20,800 |
| 16322 | Engineering Fees | 32,700 | 7,500 | 25,200 | 51,083 | 22,500 | 28,583 | 90,000 |
| 16324 | Lab Fees | 512 | 2,500 | (1,988) | 844 | 7,500 | (6,656) | 30,000 |
| 16325 | Election Expense | 0 | 0 | 0 | 38 | 0 | 38 | 0 |
| 16326 | Permit Expense | 0 | 0 | 0 | 0 | 0 | 0 | 21,000 |
| 16330 | GIS Mapping | 0 | 800 | (800) | 0 | 2,400 | (2,400) | 10,000 |
| 16331 | Arbitrage Compliance Expense | 0 | 0 | 0 | 3,250 | 0 | 3,250 | 5,200 |
| 16332 | Service Account Collection Exp | 20,555 | 20,000 | 555 | 61,678 | 60,000 | 1,678 | 240,000 |
| 16333 | Bookkeeping Fees | 5,217 | 3,500 | 1,717 | 10,950 | 9,900 | 1,050 | 37,000 |
| 16334 | Security Service - Other | 0 | 0 | 0 | 150 | 0 | 150 | 0 |
| 16334.1 | Security-Equip Maint/Repair | 46 | 45 | 1 | 137 | 135 | 2 | 500 |

Harris Co MUD 368 GOF
Actual vs. Budget Comparison
August 2018

| | August 2018 | | | June 2018 - August 2018 | | | Annual Budget |
|---|-------------------|-------------------|-------------------|-------------------------|-------------------|--------------------|------------------|
| | Actual | Budget | Over/(Under) | Actual | Budget | Over/(Under) | |
| Expenditures | | | | | | | |
| 16334.2 Security Contract | 58,705 | 58,705 | 0 | 117,410 | 176,115 | (58,705) | 704,460 |
| 16334.3 Security Service - Overtime | 5,847 | 6,500 | (653) | 18,179 | 19,500 | (1,321) | 78,000 |
| 16334.4 Security - Consulting | 850 | 850 | 0 | 2,550 | 2,590 | (40) | 10,500 |
| 16334.5 Security - Outage & Change Mgmt | 312 | 330 | (18) | 937 | 990 | (53) | 4,000 |
| 16335.1 Lawn Maintenance | 18,064 | 13,335 | 4,729 | 36,949 | 40,005 | (3,057) | 160,000 |
| 16335.2 Maint. & Repair-General-Other | 0 | 400 | (400) | 0 | 1,200 | (1,200) | 5,000 |
| 16335.3 Detention Pond Maintenance | 8,581 | 9,500 | (919) | 25,708 | 28,500 | (2,792) | 114,000 |
| 16336 Storm Drainage | 0 | 0 | 0 | 480 | 0 | 480 | 5,000 |
| 16338 Legal Notices & Other Publ. | 0 | 175 | (175) | 0 | 525 | (525) | 2,100 |
| 16339-1 Scada Maint & Repair | 0 | 90 | (90) | 0 | 270 | (270) | 1,100 |
| 16339-2 Scada -Internet | 1,591 | 1,190 | 401 | 3,943 | 3,570 | 373 | 14,300 |
| 16340 Printing & Office Supplies | 3,351 | 2,920 | 431 | 9,825 | 8,760 | 1,065 | 35,000 |
| 16341 Website Design / Hosting | 500 | 300 | 200 | 1,386 | 900 | 486 | 4,000 |
| 16341.1 Emergency Notifications | 0 | 208 | (208) | 0 | 624 | (624) | 2,500 |
| 16342 Security System Maint & Repair | 0 | 750 | (750) | 2,340 | 2,250 | 90 | 9,000 |
| 16350 Postage & Delivery | 2,188 | 2,080 | 108 | 6,561 | 6,240 | 321 | 25,000 |
| 16351 Telephone | 943 | 790 | 153 | 2,445 | 2,370 | 75 | 9,500 |
| 16352 Utilities | 19,208 | 16,667 | 2,541 | 57,972 | 50,001 | 7,971 | 199,995 |
| 16353 Insurance & Surety Bond | 0 | 0 | 0 | 0 | 35,035 | (35,035) | 35,035 |
| 16354 Travel & Per Diem | 1,385 | 500 | 885 | 4,508 | 8,000 | (3,492) | 17,160 |
| 16355 AWBD Annual Dues | 0 | 0 | 0 | 0 | 0 | 0 | 650 |
| 16358 Bank Charges | 788 | 525 | 263 | 1,899 | 1,575 | 324 | 6,300 |
| 16359 Miscellaneous Expense | 651 | 450 | 201 | 1,729 | 1,350 | 379 | 5,000 |
| 16361 Sales Tax Tracking | 583 | 550 | 33 | 1,749 | 1,650 | 99 | 6,500 |
| 16370 TCEQ Regulatory Fee | 0 | 0 | 0 | 0 | 0 | 0 | 15,000 |
| 16399 Garbage Expense | 47,195 | 47,000 | 195 | 141,549 | 141,000 | 549 | 559,000 |
| 16400 NHCWA Assessment Fee | 55,374 | 22,920 | 32,454 | 115,571 | 27,500 | 88,071 | 27,500 |
| 16600 Payroll Expenses | 1,938 | 2,500 | (562) | 8,881 | 10,000 | (1,119) | 36,000 |
| 17350 Capital Expenditure - Engineer | 4,688 | 4,200 | 488 | 9,099 | 12,600 | (3,501) | 50,000 |
| 17393 WaterWise Program - Khorville | 0 | 0 | 0 | 0 | 0 | 0 | 8,000 |
| 17630 Capital Outlay | 9,859 | 2,000 | 7,859 | 183,927 | 7,000 | 176,927 | 25,000 |
| 17632H Cleaning at Maint. Facility | 0 | 130 | (130) | 280 | 390 | (110) | 1,558 |
| Total Expenditures | 503,767 | 423,175 | 80,592 | 1,499,844 | 1,246,590 | 253,254 | 4,977,477 |
| Excess Revenues (Expenditures) | (\$73,761) | (\$31,238) | (\$42,523) | (\$227,783) | (\$53,973) | (\$173,810) | \$436,423 |

Harris Co MUD 368 GOF

Balance Sheet

As of August 31, 2018

Aug 31, 18

ASSETS

Current Assets

Checking/Savings

11100 · Cash in Bank 430,030

Total Checking/Savings 430,030

Other Current Assets

11300 · Time Deposits 4,500,026

11500 · Service Accounts Receivable 414,829

11520 · Maintenance Tax Receivable 16,810

11550 · Builder Damage Receivable 3,901

11580 · Accrued Interest 11,976

11610 · Prepaid Security 58,705

11620 · Prepaid Insurance 75,006

11740 · Due From Construction 7,040

11750 · Due From Tax Account (2,300)

Total Other Current Assets 5,085,994

Total Current Assets 5,516,024

TOTAL ASSETS

5,516,024

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

12000 · Accounts Payable 362,763

Total Accounts Payable 362,763

Other Current Liabilities

12100 · Payroll Liabilities 826

12137 · Due to TCEQ 5,241

12138 · Due to Debt Service 2,190

12140 · Retainage Payable 14,357

12160 · Builder Meter Rental Deposits 11,841

12161 · Customer Meter Deposits 541,273

12162 · Builder Deposits 20,000

12163 · Unclaimed Property Due to State 379

12740 · Deferred Inflows 16,810

Total Other Current Liabilities 612,918

Total Current Liabilities 975,681

Total Liabilities

975,681

Equity

13010 · Unassigned Fund Balance 4,768,126

Net Income (227,783)

Total Equity 4,540,342

TOTAL LIABILITIES & EQUITY

5,516,024

Harris County Municipal Utility District No. 368

District Debt Service Payments

09/01/2018 - 09/01/2019

| Paying Agent | Series | Date Due | Date Paid | Principal | Interest | Total Due |
|--|---------------|-----------------|------------------|-----------------------|-----------------------|-----------------------|
| Debt Service Payment Due 09/01/2018 | | | | | | |
| Wells Fargo Bank, NA | 2010R | 09/01/2018 | 08/31/2018 | 390,000.00 | 15,025.00 | 405,025.00 |
| Wells Fargo Bank, NA | 2012 | 09/01/2018 | 08/31/2018 | 25,000.00 | 92,312.50 | 117,312.50 |
| Wells Fargo Bank, NA | 2012R | 09/01/2018 | 08/31/2018 | 270,000.00 | 171,762.50 | 441,762.50 |
| Wells Fargo Bank, NA | 2013A | 09/01/2018 | 08/31/2018 | 560,000.00 | 73,325.00 | 633,325.00 |
| Wells Fargo Bank, NA | 2013R | 09/01/2018 | 08/31/2018 | 145,000.00 | 134,287.50 | 279,287.50 |
| Wells Fargo Bank, NA | 2014 | 09/01/2018 | 08/31/2018 | 25,000.00 | 58,218.75 | 83,218.75 |
| Wells Fargo Bank, NA | 2015B | 09/01/2018 | 08/31/2018 | 145,000.00 | 143,340.63 | 288,340.63 |
| Wells Fargo Bank, NA | 2015R | 09/01/2018 | 08/31/2018 | 230,000.00 | 141,850.00 | 371,850.00 |
| Bank of New York | 2017 | 09/01/2018 | 08/31/2018 | 0.00 | 29,606.25 | 29,606.25 |
| Wells Fargo Bank, NA | 2017R | 09/01/2018 | 08/31/2018 | 0.00 | 169,625.00 | 169,625.00 |
| Total Due 09/01/2018 | | | | 1,790,000.00 | 1,029,353.13 | 2,819,353.13 |
| Debt Service Payment Due 03/01/2019 | | | | | | |
| Wells Fargo Bank, NA | 2010R | 03/01/2019 | | 0.00 | 8,200.00 | 8,200.00 |
| Wells Fargo Bank, NA | 2012 | 03/01/2019 | | 0.00 | 92,025.00 | 92,025.00 |
| Wells Fargo Bank, NA | 2012R | 03/01/2019 | | 0.00 | 166,362.50 | 166,362.50 |
| Wells Fargo Bank, NA | 2013A | 03/01/2019 | | 0.00 | 64,925.00 | 64,925.00 |
| Wells Fargo Bank, NA | 2013R | 03/01/2019 | | 0.00 | 132,112.50 | 132,112.50 |
| Wells Fargo Bank, NA | 2014 | 03/01/2019 | | 0.00 | 57,468.75 | 57,468.75 |
| Wells Fargo Bank, NA | 2015B | 03/01/2019 | | 0.00 | 141,890.63 | 141,890.63 |
| Wells Fargo Bank, NA | 2015R | 03/01/2019 | | 0.00 | 139,550.00 | 139,550.00 |
| Bank of New York | 2017 | 03/01/2019 | | 0.00 | 29,606.25 | 29,606.25 |
| Wells Fargo Bank, NA | 2017R | 03/01/2019 | | 0.00 | 169,625.00 | 169,625.00 |
| Total Due 03/01/2019 | | | | 0.00 | 1,001,765.63 | 1,001,765.63 |
| Debt Service Payment Due 09/01/2019 | | | | | | |
| Wells Fargo Bank, NA | 2010R | 09/01/2019 | | 410,000.00 | 8,200.00 | 418,200.00 |
| Wells Fargo Bank, NA | 2012 | 09/01/2019 | | 50,000.00 | 92,025.00 | 142,025.00 |
| Wells Fargo Bank, NA | 2012R | 09/01/2019 | | 420,000.00 | 166,362.50 | 586,362.50 |
| Wells Fargo Bank, NA | 2013A | 09/01/2019 | | 580,000.00 | 64,925.00 | 644,925.00 |
| Wells Fargo Bank, NA | 2013R | 09/01/2019 | | 15,000.00 | 132,112.50 | 147,112.50 |
| Wells Fargo Bank, NA | 2014 | 09/01/2019 | | 25,000.00 | 57,468.75 | 82,468.75 |
| Wells Fargo Bank, NA | 2015B | 09/01/2019 | | 145,000.00 | 141,890.63 | 286,890.63 |
| Wells Fargo Bank, NA | 2015R | 09/01/2019 | | 225,000.00 | 139,550.00 | 364,550.00 |
| Bank of New York | 2017 | 09/01/2019 | | 0.00 | 29,606.25 | 29,606.25 |
| Wells Fargo Bank, NA | 2017R | 09/01/2019 | | 0.00 | 169,625.00 | 169,625.00 |
| Total Due 09/01/2019 | | | | 1,870,000.00 | 1,001,765.63 | 2,871,765.63 |
| District Total | | | | \$3,660,000.00 | \$3,032,884.39 | \$6,692,884.39 |

HARRIS COUNTY M.U.D. 368

AWBD Conference

2019 Mid Winter Conference

January 25-27, 2019

Austin, TX

| DIRECTOR | | ANNUAL | | REIMBURSEMENT |
|----------------|-----------|--------|------|---------------|
| Name | Attending | Online | Paid | Paid |
| Roy Lackey | YES | | YES | Yes |
| Tiffani Bishop | YES | | YES | Yes |
| Sharon L. Cook | YES | | YES | Yes |
| Allison Dunn | YES | | YES | Yes |
| Eric Daniel | | | | N/A |

**This confirms registration for the conference only. This does not confirm any lodging reservations.

**All lodging reservations are the sole responsibility of each attendee.

**AWBD now requests that you register on-line, at: www.awbd-tx.org

(For log in assistance, contact: tcavnar@awbd-tx.org)

**Please select the option "Yes, bill Company/District" so the invoice is sent to the bookkeeper.

**All requests for an advance of funds are asked to be sent by email to the bookkeeper within 30 days of conference.

REGISTRATION DEADLINE DATES:

Registration before September 26, 2018 - \$295.00

Registration between September 26, 2018 and December 12, 2018 - \$345.00

Registration after December 12 - \$445.00



MEMORANDUM

TO: Board of Directors (the "Board")
Harris County Municipal Utility District No. 368 (the "District")

FROM: Johnson Petrov LLP
Andrew P. Johnson

DATE: September 20, 2018

RE: Potential Issues with Board Member Employed by District Contractor

Issue

The District has entered into an agreement (the "Agreement") with On-Site Protection LLC (the "Company") to provide security coordination services. Because Director Allison Dunn ("Director Dunn"), wishes to assist the Company as an office assistant, the Board wants to ensure that Director Dunn or the Board is not violating Chapter 171 of the Local Government Code (the "Conflict of Interest statute") or Chapter 49 of the Texas Water Code. Furthermore, Andrew Dunn ("Dunn"), spouse of Director Allison Dunn ("Director Dunn"), is a member of the Company.

Applicability of the Nepotism Statute

The Nepotism statute prohibits public officials from appointing certain near relatives to positions compensated by public funds.¹ The public officials subject to this provision include "an officer or member of a board of this state or of a district, county . . . or other political subdivision of this state." *TEX. GOV'T CODE* §573.001(3)(B). A municipal utility district, as an entity created under Texas Constitution article XVI, section 59, is a political subdivision of the state. *Loyd v. Eco Resources, Inc.*, 956 S.W.2d 110, 121-22 (Tex. App.-Houston [14th Dist.] 1997, no pet.). Therefore, the Board members are public officials within the meaning of section 573.041 of the Government Code, and may not participate in the employment of any *individual* related to any director within the third degree by consanguinity or the second degree by affinity. *TEX. GOV'T CODE* §573.002. A husband and wife are related to one another in the first degree by affinity. *Id.* §573.025. Thus, Government Code section 573.041 prohibits a board member from

¹ A public official may not appoint, confirm the appointment of, or vote for the appointment or confirmation of the appointment of an individual to a position that is to be directly or indirectly compensated from public funds or fees of office if: (1) the individual is related to the public official within a degree described by Section 573.002; or (2) the public official holds the appointment or confirmation authority as a member of a state or local board, the legislature, or a court and the individual is related to another member of that board, legislature, or court within a degree described by Section 573.002. *Tex. Gov't Code* §573.041.

voting to appoint his or her own spouse or the spouse of another board member to a compensated position.

While it would appear to be a violation of the Nepotism statute for Director Dunn or the other Board members to contract directly with Dunn as a paid security coordinator by the District, the Texas Attorney General's Office has opined that the Nepotism statute does not apply to a governmental body's engagement of a corporate entity. Tex. Att'y Gen. Op. No. DM-76 (1992) at 2-3 (stating that nepotism law applies only to hiring of natural person); Tex. Att'y Gen. LO-97-028, at 2; LO-88-44, at 3. Based on these Attorney General opinions, the District may enter into the Agreement with the Company without violating the Nepotism statute unless the Company is an alter-ego of Dunn.

Applicability of the Conflict of Interest Statute

The District is subject to chapter 171 of the Local Government Code, the statute regulating conflicts of interest of officers of local governments. TEX. WATER CODE §49.058. The Conflict of Interest statute provides that if a local public official has a substantial interest² in a business entity, that official must file an affidavit before a vote or decision on any matter involving the business entity, stating the nature of the relationship, and abstain from further participation in the matter if the matter will have a special economic effect on the business entity. TEX. LOC. GOV'T CODE §§171.003-171.004. Furthermore, a local public official has a substantial interest in a business entity "if a person related to the official in the first degree by consanguinity or affinity, as determined under Chapter 573, Government Code, has a substantial interest in the business entity. *Id.* §171.002(c).

Disclosure and recusal are required under the Conflict of Interest statute when an officer is found to have a substantial interest in a business entity and action on the matter will have a substantial economic impact on such business entity. While Director Dunn already possesses a substantial interest by her relationship with Dunn, and the District's Agreement with the Company may have a substantial economic impact on the Company, Director Dunn must file a conflict of interest affidavit and abstain from participating in any matter related to the Agreement.

Should Director Dunn receive either 10% or more of her gross income or receives a share of the Company of \$15,000 or more or 10% or more in value of the Company, Director Dunn would have a another, although separate, substantial interest. Director Dunn would be required to file another affidavit stating her second conflict of interest and continue to abstain from participating in any matter related to the Company. In this context, the Attorney General has defined "participation in a vote" as both discussion of the issue and the actual vote.

² Chapter 171 defines a "substantial interest" as follows: (a) For purposes of this chapter, a person has a substantial interest in a business entity if: (1) the person owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$15,000 or more of the fair market value of the business entity; or (2) funds received by the person from the business entity exceed 10 percent of the person's gross income for the previous year.



Applicability of Director Disqualification Under the Texas Water Code

A person is disqualified from serving as a member of a board of a district if that person "is an employee of any developer of property in the district or any director, manager, engineer, attorney, or other person providing professional services to the district or a developer of property in the district in connection with the district or property located in the district." TEX. WATER CODE §49.052(a)(2). The Attorney General's Office has concluded that the term "person" in Texas Water Code §49.052(a)(1) is analogous to that of an "individual" in the Nepotism statute referenced above, and that "individual" refers only to a natural person and not a corporate entity. Tex. Att'y Gen. Op. No. JC-0585 (2002). While no Attorney General has ruled on the term "person" in Texas Water Code §49.052(a)(2), the term "person" is used in almost the same circumstance and would most likely not be interpreted differently. Thus, Director Dunn's employment with the Company should not disqualify Director Dunn unless the Company is considered an alter-ego of Dunn. Because this provision does not appear to pertain to Director Dunn's employment with the Company, analysis as to whether the Company will be providing a "professional service" to the District is irrelevant.

Alter-Ego

The Attorney General opinions relied upon in this memorandum regarding the nepotism and Texas Water Code issues both mention, but do not address the situation in which the corporate entity serves merely as an alter-ego of an individual. If the corporate entity is a natural person's alter-ego, then the law treats the entity and the individual's actions as one and the same. This means, that if the Company is determined to be merely an alter-ego of Dunn, then the Agreement would need to be terminated to comply with Nepotism Law and the Texas Water Code.

Alter-ego theory will disregard the corporate form when "there is such a unity between the corporation and individual that the separateness of the corporation has ceased." *Howell v. Hilton Hotels Corp.*, 84 S.W.3d 708, 714 (Tex. App.—Houston [1st Dist.] 2002) (quoting *Castleberry v. Branscum*, 721 S.W.2d 270, 272 (Tex. 1986)). Alter-ego "is shown from the total dealings of the corporation and the individual." *Id.* Whether a corporate fiction should be disregarded is a question of fact which, except in special circumstances, should be determined by a jury. *Id.*

This memorandum does not attempt alter-ego analysis of the Company, which involves reviewing the total dealings of the corporation and the individual, including evidence of the degree to which corporate and individual property have been kept separate; the amount of financial interest, ownership, and control the individual has maintained over the corporation; whether the corporation has been used for personal purposes; and whether the corporation is undercapitalized in light of the nature and risk of its business. Such factors have not been considered herein.

Additionally, the Water Code vests the Board with authority to determine whether a director is disqualified. TEX. WATER CODE §49.052(a)(2). However, such determination may be subject to judicial review. If the Board were to determine that Director Dunn is disqualified, the Board would need to determine that the facts support that the Company is an alter-ego of Dunn.

Conclusion

Assuming that the Company is not Dunn's alter-ego, the Director Dunn may be employed as an office assistant without disqualifying Director Dunn under the Water Code. However, Director Dunn must comply with the requirements of the Conflict of Interest statute.

RATHMANN & ASSOCIATES, L.P.

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Houston, Texas 77024
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Managing Partner
713-751-1888
craig@rathmannassociates.com

September 20, 2018

Board of Directors
Harris County Municipal
Utility District No. 368
c/o Mr. Andy Johnson
Johnson Petrov PLLC
2929 Allen Parkway, Suite 3150
Houston, Texas 77019

Re: 2018 Tax Rate Recommendation

Directors:

Having reviewed the debt service requirements of the District's bonded indebtedness, the status of development of the District, the District's future debt needs, if any, and the trend of the District's Assessed Valuation, it is the recommendation of the undersigned that the District levy a debt service tax for 2018 of \$0.55 per \$100 of Assessed Valuation. Such a levy, together with interest earned from the investment of monies currently being held in the District's Debt Service Fund, will enable the District to adequately cover the District's 2019 debt service requirements, including the debt service requirements of the District's \$5,565,000 Unlimited Tax Bonds, Series 2019 that are covered by the current bond application. The undersigned reasonably believes that such debt service tax rate is suitable for the District from a financial perspective.

A maintenance tax of \$0.15 per \$100 of Assessed Valuation, will produce approximately \$1,056,757 in maintenance tax revenue, assuming the collection of 99% of such tax.

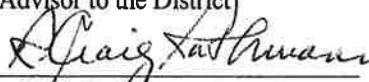
The combination of the aforementioned recommended 2018 debt service levy of \$0.55 per \$100 of Assessed Valuation plus a maintenance tax levy of \$0.15 per \$100 of Assessed Valuation is \$0.70 per \$100 of Assessed Valuation. The District levied the same total rate of \$0.70 per \$100 of Assessed Valuation in 2017, including the same debt service rate of \$0.55 per \$100 of Assessed Valuation and the aforementioned maintenance levy of \$0.15 per \$100 of Assessed Valuation.

Kindly contact the undersigned should you have any questions regarding this matter, or if I may be of any further service. Thank you for the opportunity to provide our services to the District since May 1, 2003, including the issuance of the outstanding bonds that have been previously issued by the District.

Very truly yours,

RATHMANN & ASSOCIATES, L.P.
Financial Advisor to the District

By:


R. Craig Rathmann
Managing Partner

cc: Kristen Scott, Bob Leared Interests
Kaye Townley, Municipal Accounts & Consulting LP

| District name | 2017 Debt | 2017 M/O | 2017 Contract | 2017 Total | 2017 Average | 2018 Average | H/S Levy | H/S Levy Plus 7.99% | 2018 Max | 2018 Parity | 2018 Max | 2018 Effective |
|----------------------------|-----------|----------|---------------|------------|-----------------|-----------------|----------|---------------------|------------|-------------|----------|----------------|
| | Rate | Rate | Rate | Rate | Homestead Value | Homestead Value | | | Total Rate | Rate | M/O Rate | Rate |
| FOREST HILLS MUD | 0.68000 | 0.39000 | 0.00000 | 1.07000 | 103,391 | 113,800 | 1,106.28 | 1,194.67 | 1,04979 | 0.97212 | 0.38262 | 1.27909 |
| HARRIS COUNTY M.U.D. #53 | 0.40000 | 0.20000 | 0.00000 | 0.60000 | 127,673 | 136,420 | 766.03 | 827.23 | 0.60638 | 0.56152 | 0.20212 | 0.61167 |
| HARRIS COUNTY M.U.D. #166 | 0.46000 | 0.33000 | 0.00000 | 0.79000 | 175,119 | 176,070 | 1,383.44 | 1,493.97 | 0.84850 | 0.78573 | 0.35443 | 0.82439 |
| HARRIS COUNTY M.U.D. #168 | 0.37000 | 0.13000 | 0.00000 | 0.50000 | 161,766 | 166,114 | 808.83 | 873.45 | 0.52581 | 0.48691 | 0.13670 | 0.49370 |
| HARRIS COUNTY M.U.D. #368 | 0.55000 | 0.15000 | 0.00000 | 0.70000 | 161,556 | 166,594 | 1,130.89 | 1,221.24 | 0.73306 | 0.67882 | 0.15708 | 0.73802 |
| HARRIS COUNTY M.U.D. #371 | 0.44000 | 0.43500 | 0.00000 | 0.87500 | 338,586 | 336,956 | 2,962.62 | 3,199.33 | 0.94948 | 0.87923 | 0.47202 | 0.92325 |
| HARRIS COUNTY MUD #439 | 0.00000 | 0.80000 | 0.00000 | 0.80000 | 138,633 | 139,436 | 1,109.06 | 1,197.67 | 0.85893 | 0.79538 | 0.85893 | 0.87734 |
| HARRIS COUNTY WCID #36 | 0.35000 | 0.00000 | 0.00000 | 0.35000 | 48,609 | 51,225 | 170.13 | 183.72 | 0.35865 | 0.33212 | | 0.38090 |
| HARRIS COUNTY WCID #84 | 0.19000 | 0.41000 | 0.00000 | 0.60000 | 136,885 | 143,099 | 821.31 | 886.93 | 0.61980 | 0.57394 | 0.42352 | 0.53254 |
| MAYDE CREEK M.U.D. | 0.46000 | 0.46000 | 0.00000 | 0.92000 | 157,369 | 162,145 | 1,447.79 | 1,563.46 | 0.96423 | 0.89289 | 0.48211 | 0.99064 |
| N.W. HARRIS COUNTY MUD #16 | 0.60000 | 0.52000 | 0.00000 | 1.12000 | 147,981 | 155,087 | 1,657.38 | 1,789.80 | 1.15406 | 1.06867 | 0.53581 | 1.09850 |
| RANKIN ROAD WEST M.U.D. | 0.62000 | 0.38000 | 0.00000 | 1.00000 | 160,070 | 164,523 | 1,600.70 | 1,728.59 | 1.05066 | 0.97293 | 0.39924 | 1.01490 |
| RENN ROAD M.U.D. | 0.45000 | 0.25000 | 0.00000 | 0.70000 | 134,121 | 143,824 | 938.84 | 1,013.85 | 0.70492 | 0.65277 | 0.25175 | 0.69373 |
| ROLLING CREEK U.D. | 0.45000 | 0.25000 | 0.00000 | 0.70000 | 208,805 | 211,506 | 1,461.63 | 1,578.41 | 0.74627 | 0.69105 | 0.26652 | 0.71520 |
| SPENCER ROAD P.U.D. | 0.09000 | 0.27000 | 0.00000 | 0.36000 | 234,810 | 239,477 | 845.31 | 912.85 | 0.38118 | 0.35298 | 0.28588 | 0.37548 |
| SPRING WEST M.U.D. | 0.60000 | 0.19000 | 0.00000 | 0.79000 | 157,592 | 159,200 | 1,244.97 | 1,344.44 | 0.84449 | 0.78201 | 0.20310 | 0.79013 |
| WEST KEEGANS BAYOU I.D. | 0.00000 | 0.09400 | 0.00000 | 0.09400 | 132,076 | 140,348 | 124.15 | 134.06 | 0.09551 | 0.08845 | 0.09551 | 0.08923 |

| 2018 Harris County | | | | | | | | | |
|----------------------------|-------------|-------------|-------------|-------------|--------------|---------|---------------|--|--|
| Valuation Spreadsheet | | | | | | | | | |
| District | 2017 | 2018 | Owners | 2018 | Difference | % | Add'l Pending | | |
| | Certified | Certified | Uncertified | With Uncert | 2017/2018 | Inc/Dec | Value | | |
| FOREST HILLS MUD | 96,251,190 | 80,516,927 | 5,541,209 | 86,058,136 | (10,193,054) | -11% | 20,616,969 | | |
| HARRIS COUNTY M.U.D. #53 | 784,718,434 | 769,738,405 | 48,562,045 | 818,300,450 | 33,582,016 | 4% | 11,962,969 | | |
| HARRIS COUNTY M.U.D. #166 | 172,669,409 | 165,464,639 | 6,844,249 | 172,308,888 | (360,521) | 0% | 1,391,704 | | |
| HARRIS COUNTY M.U.D. #168 | 473,317,189 | 479,348,815 | 18,410,752 | 497,759,567 | 24,442,378 | 5% | 3,278,529 | | |
| HARRIS COUNTY M.U.D. #368 | 691,531,459 | 655,901,863 | 49,574,903 | 705,476,766 | 13,945,307 | 2% | 6,144,427 | | |
| HARRIS COUNTY M.U.D. #371 | 297,074,409 | 281,548,441 | 10,663,323 | 292,211,764 | (4,862,645) | -2% | 1,111,031 | | |
| HARRIS COUNTY M.U.D. #391 | 569,599,225 | 568,921,040 | 27,354,694 | 596,275,734 | 26,676,509 | 5% | 4,312,981 | | |
| HARRIS COUNTY M.U.D. #439 | 14,039,542 | 12,801,914 | 133,855 | 12,935,769 | (1,103,773) | -8% | 1,203,147 | | |
| HARRIS COUNTY WCID #84 | 276,746,768 | 311,801,804 | 11,936,689 | 323,738,493 | 46,991,725 | 17% | 36,464,087 | | |
| MAYDE CREEK M.U.D. | 266,810,014 | 247,784,250 | 22,756,540 | 270,540,790 | 3,730,776 | 1% | 1,639,120 | | |
| NE HC MUD #1 | 110,363,157 | 111,960,719 | 7,423,461 | 119,384,180 | 9,021,023 | 8% | 3,244,913 | | |
| N.W. HARRIS COUNTY MUD #16 | 163,571,714 | 166,772,085 | 9,026,959 | 175,799,044 | 12,227,330 | 7% | 1,460,280 | | |
| RANKIN ROAD WEST M.U.D. | 101,144,946 | 99,659,925 | 4,937,351 | 104,597,276 | 3,452,330 | 3% | 568,720 | | |
| RENN ROAD M.U.D. | 131,133,176 | 130,227,656 | 9,097,273 | 139,324,929 | 8,191,753 | 6% | 668,459 | | |
| ROLLING CREEK U.D. | 262,135,648 | 256,562,109 | 16,252,861 | 272,814,970 | 10,679,322 | 4% | 4,610,734 | | |
| SPENCER ROAD P.U.D. | 363,681,486 | 348,680,222 | 13,504,565 | 362,184,787 | (1,496,699) | 0% | 4,547,545 | | |
| SPRING WEST M.U.D. | 316,503,090 | 316,447,361 | 14,773,532 | 331,220,893 | 14,717,803 | 5% | 10,216,027 | | |
| WEST KEEGANS BAYOU ID | 151,687,058 | 148,283,698 | 10,240,017 | 158,523,715 | 6,836,657 | 5% | 779,015 | | |

\$705,476,766 + \$6,144,427 = \$711,621,193

2018 \$711,621,193 \$0.70

HARRIS COUNTY M.U.D. #368

HISTORICAL TAX DATA

| Year | Taxable Value | SR/CR | Tax Rate | Adjustments | Reserve for Uncollectibles | Adjusted Levy |
|------|---------------|---------|----------|-------------|----------------------------|---------------|
| 2017 | 691,681,832 | 10 / 10 | .700000 | 309,407.34 | | 4,841,774.86 |
| 2016 | 653,111,267 | 21 / 21 | .720000 | 436,502.63 | | 4,702,401.16 |
| 2015 | 586,975,369 | 31 / 31 | .790000 | 499,044.41 | | 4,637,105.65 |
| 2014 | 513,758,120 | 42 / 42 | .870000 | 520,062.04 | | 4,469,696.01 |
| 2013 | 445,333,252 | 53 / 53 | .995000 | 369,304.75 | | 4,431,066.73 |
| 2012 | 413,765,920 | 52 / 52 | .995000 | 265,248.05 | | 4,116,971.67 |
| 2011 | 423,472,450 | 59 / 59 | .945000 | 135,547.61 | 556.99 | 4,001,259.22 |
| 2010 | 427,881,644 | 01 / 50 | .930000 | 251,592.17 | 287.01 | 3,979,012.38 |
| 2009 | 444,747,413 | 01 / 62 | .930000 | 422,509.96 | 396.04 | 4,135,754.84 |
| 2008 | 451,411,165 | 02 / 63 | .930000 | 442,920.14 | 281.60 | 4,197,842.44 |
| 2007 | 414,694,425 | 01 / 60 | .960000 | 799,097.66 | 726.32 | 3,980,340.19 |
| 2006 | 361,201,441 | 01 / 63 | 1.040000 | 460,719.16 | 236.90 | 3,756,258.77 |
| 2005 | 316,871,315 | 01 / 59 | 1.140000 | 706,610.53 | 516.88 | 3,611,815.76 |
| 2004 | 237,049,500 | 01 / 30 | 1.170000 | 287,414.46 | 940.85 | 2,772,538.51 |
| 2003 | 179,635,110 | 04 / 28 | 1.200000 | 330,474.84 | 473.64 | 2,155,147.68 |
| 2002 | 117,709,120 | 01 / 23 | 1.210000 | 164,753.13 | 785.29 | 1,423,495.12 |
| 2001 | 79,404,260 | 05 / 39 | 1.282500 | 90,749.26 | 520.70 | 1,017,839.62 |
| 2000 | 57,162,760 | 28 / 28 | 1.392500 | 149,299.28 | | 795,991.91 |
| 1999 | 38,133,900 | 20 / 20 | 1.442500 | 22,374.80 | 85.69 | 549,996.48 |
| 1998 | 24,126,690 | 00 / 00 | 1.450000 | 24,942.69 | 102.52 | 353,610.10 |
| 1997 | 22,192,300 | 00 / 00 | 1.500000 | 71,205.00 | 1,371.15 | 335,522.40 |
| 1996 | 19,749,080 | 00 / 00 | 1.500000 | 37,231.80 | 1,179.15 | 299,066.25 |
| 1995 | 18,986,870 | 00 / 00 | 2.900000 | 125,986.44 | 824.18 | 557,545.88 |
| 1994 | 18,601,390 | 00 / 00 | 2.900000 | 83,633.39 | 305.37 | 539,134.94 |
| 1993 | 19,085,750 | 00 / 00 | 2.550000 | 33,571.56 | 733.65 | 485,953.09 |
| 1992 | 19,481,680 | 00 / 00 | 2.300000 | 25,234.91 | 837.20 | 446,920.13 |
| 1991 | 21,379,260 | 00 / 00 | 2.089000 | 22,066.11 | 1,441.20 | 445,171.72 |
| 1990 | 22,158,550 | 00 / 00 | 2.005000 | 32,376.59 | 233.38 | 444,047.27 |
| 1989 | 25,307,850 | 00 / 00 | 1.990000 | 21,224.74 | 94.53 | 503,531.71 |
| 1988 | 28,456,960 | 00 / 00 | 1.830000 | 68,696.92 | 36.05 | 538,692.54 |
| 1987 | 31,161,730 | 00 / 00 | 1.830000 | 39,613.84 | 1,470.77 | 594,187.85 |
| 1986 | 32,494,500 | 00 / 00 | 1.490000 | 42,125.72 | | 504,848.06 |
| 1985 | 32,964,390 | 00 / 00 | 1.490000 | 76,165.82 | | 491,169.45 |
| 1984 | 29,599,910 | 00 / 00 | 1.490000 | 243,327.73 | | 441,038.67 |
| 1983 | 17,946,614 | 00 / 00 | 1.490000 | | | 267,404.55 |
| 1982 | 9,605,143 | 00 / 00 | 1.450000 | | | 139,274.57 |
| 1981 | 7,264,681 | 00 / 00 | 1.450000 | | | 105,337.87 |

2018 \$0.55 \$0.15

HARRIS COUNTY M.U.D. #368

TAX RATE COMPONENTS

| Year | Debt Service Rate | Debt Service Levy | Maintenance Rate | Maintenance Levy |
|------|----------------------|----------------------|---------------------|---------------------|
| 2017 | .550000 | 3,804,251.74 | .150000 | 1,037,523.12 |
| 2016 | .580000 | 3,788,045.59 | .140000 | 914,355.57 |
| 2015 | .640000 | 3,756,642.63 | .150000 | 880,463.02 |
| 2014 | .720000 | 3,699,058.74 | .150000 | 770,637.27 |
| 2013 | .840000 | 3,740,800.03 | .155000 | 690,266.70 |
| 2012 | .840000 | 3,475,634.35 | .155000 | 641,337.32 |
| 2011 | .790000 | 3,344,967.88 | .155000 | 656,291.34 |
| 2010 | .790000 | 3,380,021.41 | .140000 | 598,990.97 |
| 2009 | .790000 | 3,513,168.23 | .140000 | 622,586.61 |
| 2008 | .790000 | 3,565,909.31 | .140000 | 631,933.13 |
| 2007 | .820000 | 3,399,874.04 | .140000 | 580,466.15 |
| 2006 | .920000 | 3,322,844.35 | .120000 | 433,414.42 |
| 2005 | 1.020000 | 3,231,624.48 | .120000 | 380,191.28 |
| 2004 | 1.050000 | 2,488,175.59 | .120000 | 284,362.92 |
| 2003 | 1.080000 | 1,939,632.91 | .120000 | 215,514.77 |
| 2002 | 1.090000 | 1,282,321.98 | .120000 | 141,173.14 |
| 2001 | 1.140000 | 904,746.34 | .142500 | 113,093.28 |
| 2000 | 1.250000 | 714,534.95 | .142500 | 81,456.96 |
| 1999 | 1.300000 | 495,664.09 | .142500 | 54,332.39 |
| 1998 | 1.300000 | 317,029.74 | .150000 | 36,580.36 |
| 1997 | 1.300000 | 290,786.09 | .200000 | 44,736.31 |
| 1996 | 1.300000 | 259,190.76 | .200000 | 39,875.49 |
| 1995 | 2.670000 | 513,326.75 | .230000 | 44,219.13 |
| 1994 | 2.700000 | 501,953.23 | .200000 | 37,181.71 |
| 1993 | 2.350000 | 447,839.11 | .200000 | 38,113.98 |
| 1992 | 2.100000 | 408,057.52 | .200000 | 38,862.61 |
| 1991 | 1.975000 | 420,877.99 | .114000 | 24,293.73 |
| 1990 | 1.900000 | 420,956.81 | .105000 | 23,090.46 |
| 1989 | 1.900000 | 480,872.78 | .090000 | 22,658.93 |
| 1988 | 1.750000 | 514,990.07 | .080000 | 23,702.47 |
| 1987 | 1.750000 | 568,043.58 | .080000 | 26,144.27 |
| 1986 | 1.450000 | 491,217.16 | .040000 | 13,630.90 |
| 1985 | 1.450000 | 477,907.87 | .040000 | 13,261.58 |
| 1984 | 1.450000 | 429,130.63 | .040000 | 11,908.04 |
| 1983 | 1.450000 | 260,184.63 | .040000 | 7,219.92 |
| 1982 | 1.450000 | 139,274.57 | | |
| 1981 | 1.450000 | 105,337.87 | | |

Harris County Municipal Utility District No. 368

Operating Fund Maintenance Tax Rate Analysis

| | |
|---|--------------|
| General Fund Balance as of 7/19/18 | \$ 4,555,523 |
| Annual Expenses from Current Budget | \$4,977,477 |
| Operating Fund Coverage | 92% |
| Budgeted Surplus / (Deficit) | \$436,423 |
| FY 5/31/19 Budgeted Maintenance Tax Revenue | \$ 1,010,000 |

2018 Projected Maintenance Tax Revenue (@99% collections)

| 2018 Certified Value | | Maintenance Tax Rate | | Net Revenue |
|----------------------|---|----------------------|-------------|-------------|
| \$711,621,193 | X | \$0.150 | \$1,056,757 | \$483,180 |
| \$711,621,193 | X | \$0.130 | \$915,856 | \$342,279 |

Effect of Total Tax Rate

| | |
|----------------------------|-------------------------------|
| <u>2017 AVG Home Value</u> | <u>2017 AVG Bill @ \$0.70</u> |
| \$161,556 | \$ 1,130.89 |
| <u>2018 AVG Home Value</u> | <u>2018 AVG Bill @ \$0.70</u> |
| \$166,594 | \$ 1,166.16 |
| <u>2018 AVG Home Value</u> | <u>2018 AVG Bill @ \$0.68</u> |
| \$166,594 | \$ 1,132.84 |



Harris Co MUD 368 GOF
Actual vs. Budget Comparison

June 2018

| | | June 2018 | | | June 2018 - June 2018 | | | Annual |
|-----------------------|---------------------------------|----------------|----------------|---------------|-----------------------|----------------|---------------|------------------|
| | | Actual | Budget | Over/(Under) | Actual | Budget | Over/(Under) | Budget |
| Revenues | | | | | | | | |
| 14100 | Water Revenue | 86,813 | 82,000 | 4,813 | 86,813 | 82,000 | 4,813 | 895,000 |
| 14102 | Surface Water - NHCWRA | 139,458 | 110,000 | 29,458 | 139,458 | 110,000 | 29,458 | 1,220,000 |
| 14120 | Reconnection Fee | 4,730 | 3,750 | 980 | 4,730 | 3,750 | 980 | 45,000 |
| 14125 | Meter Rental | 0 | 375 | (375) | 0 | 375 | (375) | 4,500 |
| 14200 | Sewer Revenue | 160,669 | 170,000 | (9,331) | 160,669 | 170,000 | (9,331) | 1,800,000 |
| 14201 | Sewer Inspection Fee Revenue | 0 | 165 | (165) | 0 | 165 | (165) | 2,000 |
| 14202 | Customer Service Inspection Rev | 0 | 375 | (375) | 0 | 375 | (375) | 4,500 |
| 14203 | Final Builder Inspection | 0 | 165 | (165) | 0 | 165 | (165) | 2,000 |
| 14320 | Maintenance Tax | 2,065 | 3,000 | (935) | 2,065 | 3,000 | (935) | 1,010,000 |
| 14325 | SPA Revenue | 18,014 | 11,663 | 6,351 | 18,014 | 11,663 | 6,351 | 140,000 |
| 14326 | Security Service Revenue | 11,610 | 10,000 | 1,610 | 11,610 | 10,000 | 1,610 | 130,000 |
| 14330 | Penalties & Interest | 6,495 | 5,685 | 810 | 6,495 | 5,685 | 810 | 68,000 |
| 14380 | Miscellaneous Income | 0 | 100 | (100) | 0 | 100 | (100) | 1,100 |
| 14391 | Interest Earned on Temp Invest | 5,305 | 2,500 | 2,805 | 5,305 | 2,500 | 2,805 | 30,000 |
| 14392 | Interest Earned on Checking | 74 | 65 | 9 | 74 | 65 | 9 | 800 |
| 14600 | Tap Connections | 4,750 | 3,750 | 1,000 | 4,750 | 3,750 | 1,000 | 45,000 |
| 15379 | Transfer Fees | 1,750 | 1,250 | 500 | 1,750 | 1,250 | 500 | 16,000 |
| Total Revenues | | 441,733 | 404,843 | 36,890 | 441,733 | 404,843 | 36,890 | 5,413,900 |
| Expenditures | | | | | | | | |
| 16135 | Maintenance & Repairs - Water | 28,787 | 16,500 | 12,287 | 28,787 | 16,500 | 12,287 | 200,000 |
| 16140 | Purchased Surface Water | 106,372 | 90,000 | 16,372 | 106,372 | 90,000 | 16,372 | 1,070,000 |
| 16142 | Chemicals - Water | 432 | 750 | (318) | 432 | 750 | (318) | 9,000 |
| 16150 | Fire Hydrant Meter Rental | 0 | 400 | (400) | 0 | 400 | (400) | 4,400 |
| 16170 | Tap Connection Expense | 2,250 | 1,750 | 500 | 2,250 | 1,750 | 500 | 21,000 |
| 16180 | Reconnections | 4,385 | 4,150 | 235 | 4,385 | 4,150 | 235 | 50,050 |
| 16235 | Maintenance & Repairs - Sewer | 37,931 | 20,500 | 17,431 | 37,931 | 20,500 | 17,431 | 250,000 |
| 16237 | Northern Point Drainage | 1,488 | 22,500 | (21,012) | 1,488 | 22,500 | (21,012) | 270,000 |
| 16242 | Chemicals - Sewer | 4,698 | 4,165 | 533 | 4,698 | 4,165 | 533 | 50,000 |
| 16245 | Ditch Cleanout | 0 | 2,500 | (2,500) | 0 | 2,500 | (2,500) | 30,000 |
| 16257 | Rents & Leases | 100 | 100 | 0 | 100 | 100 | 0 | 1,425 |
| 16260 | Sludge Removal | 0 | 23,750 | (23,750) | 0 | 23,750 | (23,750) | 95,000 |
| 16261 | Recycling | 10,657 | 10,675 | (18) | 10,657 | 10,675 | (18) | 128,000 |
| 16270 | Grease Trap Inspection Expense | 0 | 270 | (270) | 0 | 270 | (270) | 3,240 |
| 16274 | Facility Pre-Inspection | 0 | 140 | (140) | 0 | 140 | (140) | 1,440 |
| 16275 | Inspection Fee - Sewer | 105 | 250 | (145) | 105 | 250 | (145) | 2,500 |
| 16276 | Final Builder Inspection Exp. | 140 | 250 | (110) | 140 | 250 | (110) | 2,880 |
| 16278 | Customer Service Inspection | 315 | 250 | 65 | 315 | 250 | 65 | 2,880 |
| 16319A | Generators-Fuel | 920 | 0 | 920 | 920 | 0 | 920 | 9,500 |
| 16319B | Generators-M&R | 1,695 | 3,000 | (1,305) | 1,695 | 3,000 | (1,305) | 35,500 |
| 16320 | Legal Fees | 0 | 9,165 | (9,165) | 0 | 9,165 | (9,165) | 110,000 |
| 16321 | Auditor Fees | 0 | 0 | 0 | 0 | 0 | 0 | 20,800 |
| 16322 | Engineering Fees | 18,383 | 7,500 | 10,883 | 18,383 | 7,500 | 10,883 | 90,000 |
| 16324 | Lab Fees | 166 | 2,500 | (2,334) | 166 | 2,500 | (2,334) | 30,000 |
| 16326 | Permit Expense | 0 | 0 | 0 | 0 | 0 | 0 | 21,000 |
| 16330 | GIS Mapping | 0 | 800 | (800) | 0 | 800 | (800) | 10,000 |
| 16331 | Arbitrage Compliance Expense | 3,250 | 0 | 3,250 | 3,250 | 0 | 3,250 | 5,200 |
| 16332 | Service Account Collection Exp | 19,990 | 20,000 | (10) | 19,990 | 20,000 | (10) | 240,000 |
| 16333 | Bookkeeping Fees | 3,483 | 3,200 | 283 | 3,483 | 3,200 | 283 | 37,000 |
| 16334.1 | Security-Equip Maint/Repair | 46 | 45 | 1 | 46 | 45 | 1 | 500 |
| 16334.2 | Security Contract | 58,705 | 58,705 | 0 | 58,705 | 58,705 | 0 | 704,460 |
| 16334.3 | Security Service - Overtime | 6,345 | 6,500 | (155) | 6,345 | 6,500 | (155) | 78,000 |

Harris Co MUD 368 GOF
Actual vs. Budget Comparison

June 2018

| | June 2018 | | | June 2018 - June 2018 | | | Annual Budget |
|---|-------------------|-------------------|-----------------|-----------------------|-------------------|-----------------|------------------|
| | Actual | Budget | Over/(Under) | Actual | Budget | Over/(Under) | |
| Expenditures | | | | | | | |
| 16334.4 Security - Consulting | 850 | 870 | (20) | 850 | 870 | (20) | 10,500 |
| 16334.5 Security - Outage & Change Mgmt | 312 | 330 | (18) | 312 | 330 | (18) | 4,000 |
| 16335.1 Lawn Maintenance | 1,295 | 13,335 | (12,040) | 1,295 | 13,335 | (12,040) | 160,000 |
| 16335.2 Maint. & Repair-General-Other | 0 | 400 | (400) | 0 | 400 | (400) | 5,000 |
| 16335.3 Detention Pond Maintenance | 8,581 | 9,500 | (919) | 8,581 | 9,500 | (919) | 114,000 |
| 16336 Storm Drainage | 0 | 0 | 0 | 0 | 0 | 0 | 5,000 |
| 16338 Legal Notices & Other Publ. | 0 | 175 | (175) | 0 | 175 | (175) | 2,100 |
| 16339-1 Scada Maint & Repair | 0 | 90 | (90) | 0 | 90 | (90) | 1,100 |
| 16339-2 Scada -Internet | 1,056 | 1,190 | (134) | 1,056 | 1,190 | (134) | 14,300 |
| 16340 Printing & Office Supplies | 5,224 | 2,920 | 2,304 | 5,224 | 2,920 | 2,304 | 35,000 |
| 16341 Website Design / Hosting | 300 | 300 | 0 | 300 | 300 | 0 | 4,000 |
| 16341.1 Emergency Notifications | 0 | 208 | (208) | 0 | 208 | (208) | 2,500 |
| 16342 Security System Maint & Repair | 0 | 750 | (750) | 0 | 750 | (750) | 9,000 |
| 16350 Postage & Delivery | 2,148 | 2,080 | 68 | 2,148 | 2,080 | 68 | 25,000 |
| 16351 Telephone | 678 | 790 | (112) | 678 | 790 | (112) | 9,500 |
| 16352 Utilities | 18,869 | 16,667 | 2,202 | 18,869 | 16,667 | 2,202 | 199,999 |
| 16353 Insurance & Surety Bond | 0 | 35,035 | (35,035) | 0 | 35,035 | (35,035) | 35,035 |
| 16354 Travel & Per Diem | 2,364 | 5,000 | (2,636) | 2,364 | 5,000 | (2,636) | 17,160 |
| 16355 AWBD Annual Dues | 0 | 0 | 0 | 0 | 0 | 0 | 650 |
| 16358 Bank Charges | 653 | 525 | 128 | 653 | 525 | 128 | 6,300 |
| 16359 Miscellaneous Expense | 743 | 450 | 293 | 743 | 450 | 293 | 5,000 |
| 16361 Sales Tax Tracking | 583 | 550 | 33 | 583 | 550 | 33 | 6,500 |
| 16370 TCEQ Regulatory Fee | 0 | 0 | 0 | 0 | 0 | 0 | 15,000 |
| 16399 Garbage Expense | 47,240 | 47,000 | 240 | 47,240 | 47,000 | 240 | 559,000 |
| 16400 NHCWA Assessment Fee | 10,005 | 2,290 | 7,715 | 10,005 | 2,290 | 7,715 | 27,500 |
| 16600 Payroll Expenses | 4,844 | 5,000 | (156) | 4,844 | 5,000 | (156) | 36,000 |
| 17350 Capital Expenditure - Engineer | 4,411 | 4,200 | 211 | 4,411 | 4,200 | 211 | 50,000 |
| 17393 WaterWise Program - Khorville | 0 | 0 | 0 | 0 | 0 | 0 | 8,000 |
| 17630 Capital Outlay | 62,490 | 2,500 | 59,990 | 62,490 | 2,500 | 59,990 | 25,000 |
| 17632II Cleaning at Maint. Facility | 140 | 130 | 10 | 140 | 130 | 10 | 1,558 |
| Total Expenditures | 483,428 | 462,600 | 20,828 | 483,428 | 462,600 | 20,828 | 4,977,477 |
| Excess Revenues (Expenditures) | (\$41,695) | (\$57,757) | \$16,062 | (\$41,695) | (\$57,757) | \$16,062 | \$436,423 |

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Tax Rate Analysis

2018 Tax Rate

Recommendation

| Year | Assessed Valuation | Tax Rate In \$'s | Tax Income @ 99.000% | I&S Fund Earnings | "Other" Income | Current Debt Service | Ending Balance | Coverage |
|--|--------------------|------------------|-----------------------|-------------------|----------------|----------------------|----------------|----------|
| 2018 | 711,621,193 | 0.550000 | | | | | 3,686,359 | 0.9219 |
| 2019 | 711,621,193 | 0.580000 | 3,874,777 | 36,864 | | 3,998,744 | 3,599,256 | 0.8703 |
| 2020 | 711,621,193 | 0.580000 | 4,086,129 | 35,993 | | 4,135,507 | 3,585,871 | 0.8655 |
| 2021 | 711,621,193 | 0.580000 | 4,086,129 | 35,859 | | 4,142,906 | 3,564,952 | 0.8645 |
| 2022 | 711,621,193 | 0.580000 | 4,086,129 | 35,650 | | 4,123,707 | 3,563,024 | 0.8650 |
| 2023 | 711,621,193 | 0.580000 | 4,086,129 | 35,630 | | 4,118,969 | 3,565,815 | 0.8651 |
| 2024 | 711,621,193 | 0.580000 | 4,086,129 | 35,658 | | 4,122,032 | 3,565,570 | 0.8608 |
| 2025 | 711,621,193 | 0.580000 | 4,086,129 | 35,656 | | 4,142,132 | 3,545,223 | 0.8575 |
| 2026 | 711,621,193 | 0.580000 | 4,086,129 | 35,452 | | 4,134,182 | 3,532,623 | 0.8506 |
| 2027 | 711,621,193 | 0.580000 | 4,086,129 | 35,326 | | 4,153,131 | 3,500,946 | 0.8456 |
| 2028 | 711,621,193 | 0.580000 | 4,086,129 | 35,009 | | 4,140,263 | 3,481,822 | 0.8422 |
| 2029 | 711,621,193 | 0.580000 | 4,086,129 | 34,818 | | 4,134,251 | 3,468,519 | 0.8341 |
| 2030 | 711,621,193 | 0.580000 | 4,086,129 | 34,685 | | 4,158,176 | 3,431,157 | 0.8051 |
| 2031 | 711,621,193 | 0.580000 | 4,086,129 | 34,312 | | 4,261,901 | 3,289,697 | 0.7737 |
| 2032 | 711,621,193 | 0.580000 | 4,086,129 | 32,897 | | 4,252,026 | 3,156,698 | 0.7388 |
| 2033 | 711,621,193 | 0.580000 | 4,086,129 | 31,567 | | 4,272,626 | 3,001,768 | 0.6985 |
| 2034 | 711,621,193 | 0.580000 | 4,086,129 | 30,018 | | 4,297,363 | 2,820,552 | 0.7977 |
| 2035 | 711,621,193 | 0.580000 | 4,086,129 | 28,206 | | 3,535,901 | 3,398,986 | 0.9482 |
| 2036 | 711,621,193 | 0.580000 | 4,086,129 | 33,990 | | 3,584,562 | 3,934,542 | 1.4118 |
| 2037 | 711,621,193 | 0.580000 | 4,086,129 | 39,345 | | 2,786,826 | 5,273,191 | 1.8905 |
| 2038 | 711,621,193 | 0.580000 | 4,086,129 | 52,732 | | 2,789,238 | 6,622,814 | 2.3764 |
| 2039 | 711,621,193 | 0.580000 | 4,086,129 | 66,228 | | 2,786,926 | 7,988,246 | 2.8684 |
| 2040 | 711,621,193 | 0.580000 | 4,086,129 | 79,882 | | 2,784,950 | 9,369,307 | 3.5091 |
| 2041 | 711,621,193 | 0.580000 | 4,086,129 | 93,693 | | 2,669,975 | 10,879,154 | 0.0000 |
| Totals | | | \$93,769,613 | \$949,469 | | \$87,526,287 | | |
| Average Tax Rate ... | | | | | | | | |
| (a) Fund Balance at 09/02/2018 of | | | 0.5788 | | | | | |
| Less D/S Payment | | | \$3,686,359.00 | | | | | |
| | | | 0.00 | | | | | |
| | | | \$3,686,359.00 | | | | | |

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

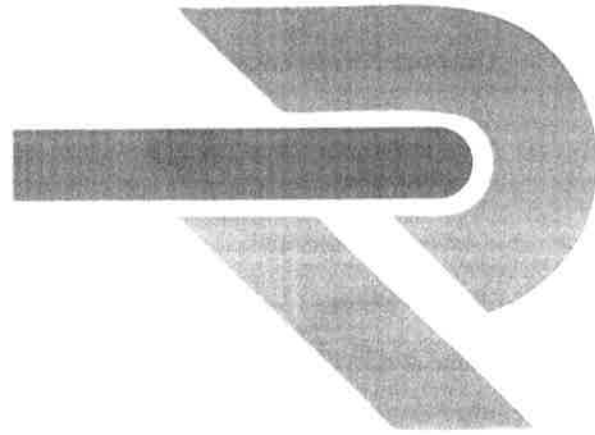
Current Debt plus New Debt

Dated Date 03/01/2019 Unlimited Tax Bonds, Series 2019 Delivery Date 03/01/2019

| Year Ending 12/31 | Current Debt Requirement | New Principal Due 09/01 | Interest @ 4.500% Due 03/01 | Interest @ 4.500% Due 09/01 | Total New Interest | Total New Principal & Interest | Total Debt Service Requirement |
|-------------------------|--------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------|--------------------------------------|--------------------------------------|
| 2018 | 3,848,707 | | | 125,213 | 125,213 | 125,213 | 3,848,707 |
| 2019 | 3,873,532 | | | 125,213 | 125,213 | 125,213 | 3,998,744 |
| 2020 | 3,885,082 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,135,507 |
| 2021 | 3,892,482 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,142,907 |
| 2022 | 3,873,282 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,123,707 |
| 2023 | 3,868,544 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,118,969 |
| 2024 | 3,871,607 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,122,032 |
| 2025 | 3,891,707 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,142,132 |
| 2026 | 3,883,757 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,134,182 |
| 2027 | 3,902,707 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,153,132 |
| 2028 | 3,889,838 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,140,263 |
| 2029 | 3,883,826 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,134,251 |
| 2030 | 3,907,751 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,158,176 |
| 2031 | 4,011,476 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,261,901 |
| 2032 | 4,001,601 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,252,026 |
| 2033 | 4,022,201 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,272,626 |
| 2034 | 4,046,938 | | 125,213 | 125,213 | 250,425 | 250,425 | 4,297,363 |
| 2035 | 3,285,476 | | 125,213 | 125,213 | 250,425 | 250,425 | 3,535,901 |
| 2036 | 3,334,138 | | 125,213 | 125,213 | 250,425 | 250,425 | 3,584,563 |
| 2037 | 2,371,401 | 165,000 | 125,213 | 125,213 | 250,425 | 415,425 | 2,786,826 |
| 2038 | 2,386,238 | 160,000 | 121,500 | 121,500 | 243,000 | 403,000 | 2,789,238 |
| 2039 | 2,421,126 | 130,000 | 117,900 | 117,900 | 235,800 | 365,800 | 2,786,926 |
| 2040 | | 2,555,000 | 114,975 | 114,975 | 229,950 | 2,784,950 | 2,784,950 |
| 2041 | | 2,555,000 | 57,488 | 57,488 | 114,975 | 2,669,975 | 2,669,975 |
| Totals | \$80,353,417 | \$5,565,000 | \$2,665,697 | \$2,790,910 | \$5,456,588 | \$11,021,588 | \$91,375,004 |

NEW20191900010121 Dated Date: 03/01/2019 Principal Due Dates: 09/01/2037 - 09/01/2041 Maturing Amount: 5,565,000.00

Recycling Collection Proposal



RESIDENTIAL

Recycling & Refuse of Texas



Residential Refuse and Recycling of Texas, Inc.

Specialized to meet the needs of all communities

Toll Free: 346-248-5222

Fax: 281-357-0775

www.rrrtx.net

Residential Recycling & Refuse of Texas Introduction

Residential Recycling & Refuse of Texas, Inc. specializes in residential recycling collection throughout Houston and surrounding areas while proudly never losing a single customer to service issues.

We bring a unique blend of customer service and efficiency to every new neighborhood we acquire. Knowing that service is the key, we devote much of our time and resources toward doing just that, providing the A+ service that you deserve from us. We are a family owned business and we pride ourselves on the ability to work with each community to understand specific needs and work to provide those needs. We are committed to our customer's complete satisfaction.

There are a few things that set us apart from the normal trash companies:

- No Automated Phone System – Staff answers each phone call
- Each neighborhood/district is special to us - not just another contract
- 98% Customer satisfaction - you will never have to worry about customer complaints
- Extremely low turnover rate with employees
- Our customers love our service – they constantly brag on our route guys
- Extra bins and pickup service for summer programs (no extra charge)
- Garage door service for residents needing a little extra help in curbside communities

With over 30 years of experience, we can handle all your needs. At RRRT the principals of the company are on premise every day. This means critical decisions can be acted on and implemented quickly. We are very proud of the service we offer to our customers and continue to maintain a customer satisfaction rate of 98%.

Our drivers and helpers wear company uniforms which ensure the customer can identify them as RRRT employees when we are in the neighborhood. Cross training is a top priority to ensure a full crew despite vacation, illness, etc.

RRRT programs offer flexible collection schedules as well as a wide selection of items that can be collected and processed for recycling. Included in this packet is a detailed list that is distributed to all homeowners prior to start of service.

Our pricing is competitive and in most cases will be below the current rate paid by the districts. RRRT offers curbside as well as backdoor pickup service depending on the needs of the community.

RRRT observes the following six holidays per year; New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

If you have any questions, please feel free to call me at 346-248-5222 or email at curtis@rrrtx.net

We look forward to working with you and establishing a long term business relationship.

Sincerely,
Curtis Brown
Account Manager / Sales

Saving Texas Resources One Home At A Time

Residential Refuse and Recycling of Texas, Inc.

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RESIDENTIAL

Recycling & Refuse of Texas

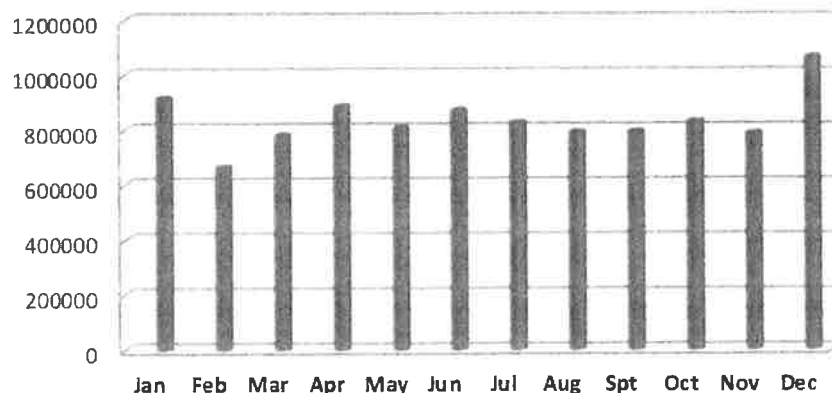
Recycling Data

Provided By: Residential Recycling & Refuse of Texas
Saving Texas resources one home at a time

| | |
|--------------|-----------|
| Jan | 914,900 |
| Feb | 664,059 |
| Mar | 780,020 |
| Apr | 886,751 |
| May | 806,388 |
| Jun | 871,000 |
| Jul | 824,740 |
| Aug | 789,539 |
| Spt | 791,693 |
| Oct | 829,384 |
| Nov | 784,931 |
| Dec | 1,063,178 |
| Total Pounds | 6,537,397 |
| Total Tons | 3268.6985 |



January - December



Resources Conserved

| | | | |
|-----------------|---------|------------|-------------|
| Trees | Saved | 85,056 | |
| Water | Saved | 35,023,041 | Gallons |
| Air Pollution | Reduced | 300,197 | Pounds |
| Electricity | Saved | 20,513,495 | kW Hours |
| Land Fill Space | Saved | 16,511 | Cubic Yards |



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Monday September 10th, 2018

Attn: Board of Directors

Re: HC M.U.D.#368

I'd like to thank you for the opportunity to quote waste services for HC M.U.D.#368. This quote includes curbside Recycling service. All loads will be weighed and delivered to a certified recycling center. RRRT maintains records on all weight tickets for all loads. We strive to build great business relationships, so we can understand your needs and provide you with the top level of service.

Recycling Service Days: Monday

Connection Count: 3823

Quote: Recycling Services (Individual Billing)

\$ 3.20

/month/home for trash service (22 Months Contract)

- Email Alert's to BOD/Management Company advising on late pickup or no pickup due to weather.
- Local-Family Owned
- Disability/Handicapped Garage-door Pick-up
- Monthly Recycling Reports
- Real Time Video Recording on All Trucks- Front & Rear
- **Live Receptionist**- Monday-Friday 8a.m.-5p.m.
- E-Verified Employees

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Curbside Recycling Service: Monday

- ***Household Recycling*** – Curbside pick-up is restricted to household garbage. Household recycling is defined as glass bottles and jars, plastics 1-7, thin plastic, paper, cardboard, tin/aluminum cans (only exception is Styrofoam in the #6 category).
- ***Containers*** –Recycling Bins are provided and owned by Residential Recycling & Refuse of Texas.
- ***Recycling Stickers***- Stickers will be provided free of charge to any residents that are heavy recyclers. These stickers can be placed on any personal container and our guys know to pick these containers up for recycling. The stickers are mailed by our office to the customer's home, after they call and place the order.
- ***Recycling Reports***- RRRT provides monthly recycling reports to Board of Directors and management that show the results in your neighborhood. These reports include the tonnage of recycling being taken out of your waste stream, as well as the various natural resources that are saved in the process.

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Additional Services

- **Email Alert's to BOD/Management**-In the event RRRTx is running late in a community or inclement weather requires RRRTx to cancel pickup on a community's service day we will alert the BOD/Management Company in advance, so they can reach out to the community.
- **Handicapped/Garage Door Collection Services**- RRRT will provide full garage door services to any elderly or handicapped resident in your community. All your resident must do is call our office and request the special service.

Except as otherwise provided by this Agreement, the rate of compensation shall remain effective for the term of the Agreement. During the term of this Agreement, Contractor may experience cost increases which may occur due to incremental increases in cost of: fuel, environmental disposal fees, local, and federal taxes or additional fees resulting from government-imposed mandates. Contractor shall provide Customer with request for increase detailing reason for increase. Customer will have option for approval, giving reasons if request is rejected.

Our drivers and helpers will wear company uniforms which will allow customers to identify them when in the neighborhood. Cross training is a top priority to ensure a full crew despite vacation, illness, etc.

Residential Recycling & Refuse of Texas observe the following six holidays per year; New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Please feel free to call me at any time if you have any questions. We look forward to working with you and establishing a long-term business relationship.

Sincerely,
Curtis Brown
Account Manager / Sales

Saving Texas Resources One Home At A Time

Mirna Croon

Subject: FW: HCMUD 368 - recycling services proposal
Attachments: harris368recycle2018.xls

From: ~~pickingerb@besttrash.com~~ [mailto:~~pickingerb@besttrash.com~~]
Sent: Wednesday, September 05, 2018 3:31 PM
To: Mirna Croon
Cc: 'Christie Leighton'; 'Richard May'
Subject: RE: HCMUD 368 - recycling services proposal

Hi Mirna,

Here is a copy of our proposal. We would not be able to add recycling for a 2 year term due to the startup expense. This would be an investment of over \$500,000 with the carts and collection vehicle. The only way we could justify this expense would be to extend the current trash contract expiration by 3 years. This would essentially give us a 5 year recycle contract with a 3 year extension on the trash contract. Please let me know if you have any questions.

Thanks,
Matthew



Bid For Harris MUD No. 368 recycle

Date: 9-5-18

TO: Mirna Croon
Johnson Petrov, LLP
2929 Allen Parkway, Suite 3150
Houston, TX 77019
Phone Number: 713-489-8977
Fax Number: 713-358-3530

We are pleased to submit the following bid:

Job Description: add recycle collection to existing trash collection contract

| # HOMES | COLLECTION DESCRIPTION | MONTHLY RATE | TOTAL PER MONTH |
|---------|--|--------------|-----------------|
| 3,806 | Curbside recycle collection servicing approximately 1/2 the district on Monday and 1/2 the district on Thursday in Best Trash provided 48 or 65 gallon carts, price for 5 year term added to existing trash collection contract. | \$6.35 | \$24,168.10 |
| 3,806 | Existing pricing for trash collection with current term expiring September 30, 2020. | \$12.34 | \$46,966.04 |
| 3,806 | New combined rate for both trash and recycle with new contract term including both trash and recycle expiring September 30, 2025 | \$18.69 | \$71,134.14 |



TEXAS PRIDE

DISPOSAL

Our Mission

To provide unparalleled solid waste collection services that consistently exceed our customer's expectations, while continuously striving to provide the most environmentally responsible alternatives for our customers and safest working environments for our employees.

Let Texas Pride be your guide to all of your disposal needs.

Proposal for Recycle Collection Services for:

Harris County MUD No. 368
Johnson Petrov LLP
Attn: Mirna Croon
2929 Allen Parkway, Suite 3150
Houston, TX 77019

Location:

99 & 249, Tomball

House Count:

3,897



The Texas Pride Disposal Story

"You don't want to be the guy on the back of the truck; you want to be the guy that owns the truck."

I can still recall these words spewing from my uncle's mouth like it was yesterday. However, yesterday was 1991, and I was a 6-year old that was bewildered by what I had just heard. Why would I want to own the trucks when the guys on the back get to have all of the fun?

Growing up, for as long as anyone that knows me can remember, I have always wanted to be a garbage man. Whether it was riding my bike up and down the street with the regular crew, owning an entire fleet of toy garbage trucks, or even having a few goldfish named BFI, garbage has been my passion for quite literally my entire life.



Kevin Atkinson, 1991

As I grew up, the toy trucks were retired, but the real trucks continued to catch my eye. After returning home from my freshman year of college, I was hired as a helper on the back of the truck for a local company. I spent the entire summer throwing trash on the back of the truck, the hardest job I have ever had. I returned to work holidays, and the following summer received my commercial driver's license and started driving for the company, all the while picking the minds of the managers.

After graduating, I was hired full-time and quickly became an operations manager. Within a year, I was managing the residential division for the entire Houston market, an operation that consisted of over 300 employees, 200,000 customers, and 80 trucks.

As I continued in my role and learned more about the local market, I became amazed at how over-complicated companies had made garbage collection, and the diminished quality of the job that was the result. It was time for a change.

Partnered with Jerry Kruszka, an industry veteran with over 30 years of experience, our mission is to provide unparalleled solid waste collection services that consistently exceed our customer's expectations, while continuously striving to provide the most environmentally responsible alternatives for our customers and safest working environments for our employees. To achieve this, there are five basic principles that we consider vital:

- ★ That *garbage collection be incredibly simple* for the customer.
- ★ To *redefine quality customer service* in this industry.
- ★ That *communities have the right to customize their solid waste programs*.
- ★ That an *emphasis on recycling* be promoted.
- ★ That a *safe working environment be created* for the well-being of our employees & customers.

So here I am today, the owner of the truck, more passionate about what I do than anyone you will ever meet, and ready and excited to go above and beyond for you and your community.

- Kevin Atkinson



What Sets Us Apart

Our Service

At Texas Pride Disposal, we're confident that our services are superior.
These are a few reasons why:



BRAND NEW EQUIPMENT

All trucks purchased are brand new as we continue to grow.

NEVER AUTOMATED

All service is provided with manual, 3-man crews, guaranteeing collection of all waste the first time through as well as the collection of any dropped or spilled waste.

SIMPLE SERVICES

We accept and provide service for:

Unbundled branches

Manageable amounts of remodeling debris

Heavy trash every service day

Pools and parks at no additional charge

Complimentary valet service for elderly and disabled residents

"If it's at the curb, pick it up."

This has been our motto since day one, because no one likes coming home to uncollected trash.

FEWER HOLIDAYS

New Year's Day, Independence Day, Thanksgiving Day, and Christmas Day are our only observed holidays.

DEDICATED, EXPERIENCED EMPLOYEES

All full time employees. Drivers average over 10 years of experience in residential garbage service, meaning clean, consistent service, properly returned cans, and safely operated equipment.

LOCAL, SMALL BUSINESS

We pick up trash because it is what we love to do.

Not because we're some monster conglomerate.

You're our neighbors, our relatives, our friends, and our valued customer.

SUPERIOR CUSTOMER SERVICE

Real people answering every phone call.

Website inquiries that go directly to the owner.

Immediate responses to all of our customer needs.

EXPERIENCED MANAGEMENT

Over 50 years of combined experience in the solid waste industry.



*Let Texas Pride
be your guide
to all of your disposal needs.*



The Youngest Fleet In Town

Our Fleet

We're proud to run the youngest fleet of trucks in the area. Washed weekly, maintained meticulously, you'll be proud to see these trucks on your streets.

Fleet Listing

| Unit | Year | Chassis | Body | Unit | Year | Chassis | Body |
|-------|------|---------------|----------|-------|------|--------------|------|
| RL 6 | 2007 | International | Heil | RL 30 | 2018 | Freightliner | Heil |
| RL 7 | 2016 | Freightliner | Heil | RL 31 | 2018 | Freightliner | Heil |
| RL 8 | 2016 | Freightliner | Heil | RL 32 | 2018 | Freightliner | Heil |
| RL 9 | 2011 | International | McNeilus | RL 33 | 2018 | Freightliner | Heil |
| RL 10 | 2015 | Freightliner | Heil | RL 34 | 2018 | Freightliner | Heil |
| RL 12 | 2016 | Freightliner | Heil | RL 35 | 2018 | Freightliner | Heil |
| RL 13 | 2015 | Freightliner | Heil | RL 36 | 2018 | Freightliner | Heil |
| RL 14 | 2016 | Freightliner | Heil | RL 37 | 2018 | Freightliner | Heil |
| RL 15 | 2016 | Freightliner | Heil | RL 38 | 2018 | Freightliner | Heil |
| RL 19 | 2017 | Freightliner | Heil | RL 39 | 2018 | Freightliner | Heil |
| RL 20 | 2017 | Freightliner | Heil | RL 40 | 2018 | Freightliner | Heil |
| RL 21 | 2017 | Freightliner | Heil | RL 41 | 2018 | Freightliner | Heil |
| RL 22 | 2017 | Freightliner | Heil | RL 42 | 2018 | Freightliner | Heil |
| RL 23 | 2017 | Freightliner | Heil | RL 43 | 2018 | Freightliner | Heil |
| RL 24 | 2017 | Freightliner | Heil | RL 44 | 2018 | Freightliner | Heil |
| RL 25 | 2017 | Freightliner | Heil | RL 45 | 2018 | Freightliner | Heil |
| RL 26 | 2017 | Freightliner | Heil | RL 46 | 2018 | Freightliner | Heil |
| RL 27 | 2017 | Freightliner | Heil | RL 47 | 2018 | Freightliner | Heil |
| RL 28 | 2017 | Freightliner | Heil | RL 48 | 2018 | Freightliner | Heil |
| RL 29 | 2017 | Freightliner | Heil | RL 49 | 2018 | Freightliner | Heil |



*Let Texas Pride
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to all of your disposal needs.*



Recycling Services





Take pride with Texas Pride Disposal!

Curbside Recycle Collection

Material should be placed in the recycling container provided by Texas Pride Disposal. Overflow material may be placed in previous provider's recycling containers, containers that are clearly labeled "RECYCLE", cardboard boxes, or paper bags. Additional containers may be purchased through Texas Pride Disposal.

Texas Pride Disposal also provides recycling stickers for \$5. Residents contact Texas Pride Disposal, we deliver a sticker to the resident, and they adhere it to a container that fits their needs and preference. This method not only saves the district money, but provides a cost-effective alternative for residents who are dedicated to recycling while not forcing them to use a large cart that can be, to some, cumbersome.

Accepted Material

| | | | | |
|---|------------------------------|----------------|-----------------|---|
|  | Paper Products | | | |
| | Newspaper | Catalogs | Grocery Bags | Egg Cartons |
| | Junk Mail | Wrapping Paper | Soda/Beer Boxes | Phone Books |
| | Magazines | File Folders | Shoe Boxes | Paper Towel Rolls |
| | Envelopes | Computer Paper | Cardboard Boxes | Waxboard Boxes |
| Plastic Products | | | | |
| Plastics #1-#7 | Bleach/Detergent Containers | | |  |
| Milk/Juice Bottles | Household Cleaner Containers | | | |
| Soda/Water Bottles | Plastic Flower Pots | | | |
| Shampoo/Soap Bottles | Microwave Dinner Trays | | | |
|  | Metal Products | | | |
| | Soda/Juice/Beer Cans | Pie Trays | | |
| | Canned Food Cans | Metal Jar Lids | | |
| | Pet Food Cans | | | |
| | Aluminum Foil | | | |
| Glass Products | | | | |
| Jars | Wine Bottles | Soda Bottles | Beer Bottles |  |

Unacceptable Items

| | | | | |
|--------------|--------------|----------------------|--------------|--------------------|
| Styrofoam | Plastic Bags | Ceramics | Mirrors | Soiled Pizza Boxes |
| Coat Hangers | Light Bulbs | Facial/Toilet Tissue | Soiled Paper | Paper Towels |





Experience & References

Our Experience

With a management team with over 100 years of experience in our industry, you can rest assured that Texas Pride Disposal will take tremendous care of you and your community. Proudly serving over 100,000 households in the Greater Houston area, our growth and success can be directly related to our ability to react to our customer's needs while delivering consistent, personalized service in all our communities.

We TRULY LOVE what we do:

"When passion and skill work together, the end result is often a masterpiece."

- Chris Guillebeau, Author, *The \$100 Startup*

From the bottom of my heart, I can tell you that being a garbage man is what I have always wanted to do. Since I was a toddler, the trucks and sounds and, yes, even the smells, have fascinated me. That passion has taken me through this business from the ground up, throwing trash and driving trucks during summers and holidays home from college, earning a degree focused on entrepreneurship, and entering the corporate side as a manager trainee and quickly rising to manage a division that consisted of 300 employees, over 100 routes, and over 200,000 residential customers. I love what I do, and I know how to do it extremely well, and our services at Texas Pride Disposal are reflective of that. As our mission states, we are constantly striving to provide unparalleled services that consistently exceed your expectations. Choose us, and you and your residents will quickly realize just what exceptional service can and should be.

- Kevin Atkinson

Our References

With years of experience providing residential solid waste collection services to communities all over the Houston area, we encourage you to reach out to the below references to inquire about our reputation.

Castlewood MUD

MUD Board

via Paul A. Philbin & Associates, P.C.

By Phone: (713) 783-4120

Horseshoe Bend HOA

Cindi Dean

Secretary/Treasurer

By Phone: (832) 595-2023

Walkers Mark HOA

Sara Hanzel

Board Member

By Email: shanzel@sbcglobal.net

City of Meadows Place

Charles Jessup

Mayor

By Email: mayor@cityofmeadowsplace.org

By Phone: (281) 983-2931

Cutten Green

Lee Bredbenner

Board Member

By Email: lbredbenner@yahoo.com

Fort Bend MUD 133

Tom Langland

Board President

(281) 633-9797

Planned Community Management

Kelly Reznicek - Manager

Manages multiple accounts that we service.

By Email: Kelly.Reznicek@STServices.com

Fort Bend MUD 155

(Bonbrook Plantation)

Donna G. Johnson

Board Member

By Email: djohnson222@att.net



*Let Texas Pride
be your guide
to all of your disposal needs.*



Texas Pride Disposal
PO Box 1186
Rosenberg, Texas 77471
(281) 342-8178

**Proposal for Recycle Collection Services for:
Harris County MUD No. 368**

Texas Pride Disposal thanks you for the opportunity to provide the following proposal:

| Annually-Adjusted Proposal - Rates Adjusted Annually on Contract Anniversary Date | |
|---|---|
| Recycle Options | 22-Month Term: 12/1/18 - 9/30/20 |
| 18-Gallon Bin Service <i>Recyclables collected in TPD-provided 18-gallon bin. Overflow collected in old bins, bags, or cans labeled RECYCLE.</i> | \$3.05 |
| 32-Gallon Can Service <i>Recyclables collected in TPD-provided 32-gallon can. Overflow collected in old bins, bags, or cans labeled RECYCLE.</i> | \$4.15 |
| 65-Gallon Cart Service <i>Recyclables collected in TPD-provided 65-gallon cart. Overflow collected in old bins, bags, or cans labeled RECYCLE.</i> | \$5.25 |
| Price Adjustment Options | |
| National CPI: CPI-U: U.S. city average, by detailed expenditure category, garbage and trash collection | |
| Local CPI: CPI-U: Selected areas, all items index, Houston-Galveston-Brazoria, TX | |
| Fixed-Rate: 3.75% Annually | |

| Fixed-Rate Proposal - Rates Fixed through Initial Term | |
|---|---|
| Recycle Options | 22-Month Term: 12/1/18 - 9/30/20 |
| 18-Gallon Bin Service <i>Recyclables collected in TPD-provided 18-gallon bin. Overflow collected in old bins, bags, or cans labeled RECYCLE.</i> | \$3.20 |
| 32-Gallon Can Service <i>Recyclables collected in TPD-provided 32-gallon can. Overflow collected in old bins, bags, or cans labeled RECYCLE.</i> | \$4.35 |
| 65-Gallon Cart Service <i>Recyclables collected in TPD-provided 65-gallon cart. Overflow collected in old bins, bags, or cans labeled RECYCLE.</i> | \$5.50 |

- Rates above quoted with assumption TPD provides each household with one recycle container.
- Service Days: District split in half, collection on Monday or Thursday
- If District purchases containers, containers will include color and logo of District choice:
 - 18-gallon bins: Purchase price of \$39,000. Deduct \$0.45 from quoted rate.
 - 32-gallon cans: Purchase price of \$117,000. Deduct \$1.35 from quoted rate.
 - 65-gallon carts: Purchase price of \$214,500. Deduct \$2.50 from quoted rate.
- If residents purchase directly, 18-gal bin is \$10.00, 32-gal can is \$30.00, and 65-gal cart is \$75.00.

Thank you,
Kevin Atkinson
Owner - Texas Pride Disposal
C: (713) 705-3534
E: kevin@texaspridedisposal.com

