

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**AUGUST 31, 2018**



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Harris County Municipal  
Utility District No. 364  
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. 364 (the "District"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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





## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

November 27, 2018



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018**

Management's discussion and analysis of Harris County Municipal Utility District No. 364's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2018. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective like 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 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 two 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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018**

**FUND FINANCIAL STATEMENTS (Continued)**

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in 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, assets exceeded liabilities by \$3,835,225 as of August 31, 2018. A portion of the District's net position reflects its net investment in capital assets (land as well as the water system, wastewater system and jogging trails, less any debt used to acquire those assets that is still outstanding). The following table provides a comparative analysis of the District's Statement of Net Position as of August 31, 2018, and August 31, 2017:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018**

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

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 6,615,270	\$ 5,919,324	\$ 695,946
Capital Assets (Net of Accumulated Depreciation)	8,970,597	9,218,921	(248,324)
Total Assets	\$ 15,585,867	\$ 15,138,245	\$ 447,622
Bonds Payable	\$ 11,251,090	\$ 12,349,841	\$ 1,098,751
Other Liabilities	499,552	492,457	(7,095)
Total Liabilities	\$ 11,750,642	\$ 12,842,298	\$ 1,091,656
Net Position:			
Net Investment in Capital Assets	\$ (2,280,493)	\$ (3,130,920)	\$ 850,427
Restricted	732,133	762,634	(30,501)
Unrestricted	5,383,585	4,664,233	719,352
Total Net Position	\$ 3,835,225	\$ 2,295,947	\$ 1,539,278

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

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,502,094	\$ 2,510,989	\$ (8,895)
Charges for Services	1,692,573	1,538,054	154,519
Other Revenues	105,809	115,213	(9,404)
Total Revenues	\$ 4,300,476	\$ 4,164,256	\$ 136,220
Expenses for Services	2,761,198	2,650,275	(110,923)
Change in Net Position	\$ 1,539,278	\$ 1,513,981	\$ 25,297
Net Position, Beginning of Year	2,295,947	781,966	1,513,981
Net Position, End of Year	\$ 3,835,225	\$ 2,295,947	\$ 1,539,278

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018**

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

The District's combined fund balances as of August 31, 2018, were \$6,102,109 an increase of \$696,888 from the prior year.

The General Fund fund balance increased by \$721,015, primarily due to service and tax revenues exceeding operating and administration costs.

The Debt Service Fund fund balance decreased by \$24,127, primarily due to the structure of the District's outstanding debt.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$226,552 more than budgeted revenues primarily due to higher than anticipated water authority fees and investment revenues. Actual expenditures were \$1,502,718 less than budgeted expenditures primarily due to lower than expected capital costs, purchased water costs and professional fees.

**CAPITAL ASSETS**

Capital assets as of August 31, 2018, total \$8,970,597 (net of accumulated depreciation) and include land, jogging trails, and the water and wastewater systems. Construction in progress includes costs related to the expansion of the water plant and wastewater treatment plant facilities shared with Harris County Municipal Utility District No. 365.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,397,293	\$ 1,397,293	\$
Construction in Progress	257,008	130,863	126,145
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,385,188	2,524,164	(138,976)
Wastewater System	4,257,467	4,458,371	(200,904)
Jogging Trails	673,641	708,230	(34,589)
Total Net Capital Assets	\$ 8,970,597	\$ 9,218,921	\$ (248,324)

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018**

**LONG-TERM DEBT ACTIVITY**

As of August 31, 2018, the District had total bond debt payable of \$11,120,000. The changes in the debt position of the District during the fiscal year ended August 31, 2018, are summarized as follows:

Bond Debt Payable, September 1, 2017	\$ 12,205,000
Less: Bond Principal Paid	<u>1,085,000</u>
Bond Debt Payable, August 31, 2018	<u>\$ 11,120,000</u>

The District carries an underlying rating of "A+" by Standard & Poor's. The Series 2010 Refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Corp. The Series 2010A, Series 2011 Refunding and Series 2012 Refunding bonds carry insured ratings of "AA" by virtue of bond insurance issue by Assured Guaranty Municipal Corp. The ratings above reflect changes, if any, through August 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. 364, c/o Radcliffe Bobbitt Adams Polley PLLC, 2929 Allen Parkway, Suite 3450, Houston, Texas 77019-7120.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**AUGUST 31, 2018**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 289,692	\$ 130,156
Investments	5,127,451	588,638
Receivables:		
Property Taxes	4,631	7,183
Penalty and Interest on Delinquent Taxes		
Service Accounts	166,057	
Sales Tax Revenues	4,996	
Accrued Interest	23,268	3,939
Other	11,585	
Due from Other Funds		422
Prepaid Costs	11,993	
Advances for Water Plant Operations	148,493	
Advances for Wastewater Treatment		
Plant Operations	46,260	
Advances for Joint Facility Capital Projects	49,133	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 5,883,559</b>	<b>\$ 730,338</b>

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



<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 419,848	\$	\$ 419,848
5,716,089		5,716,089
11,814		11,814
	1,795	1,795
166,057		166,057
4,996		4,996
27,207		27,207
11,585		11,585
422	(422)	
11,993		11,993
148,493		148,493
46,260		46,260
49,133		49,133
	1,397,293	1,397,293
	257,008	257,008
	<u>7,316,296</u>	<u>7,316,296</u>
<u>\$ 6,613,897</u>	<u>\$ 8,971,970</u>	<u>\$ 15,585,867</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**AUGUST 31, 2018**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 354,553	\$
Due to Other Funds	422	
Security Deposits	144,999	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 499,974</b>	<b>\$ -0-</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 4,631	\$ 7,183
 <b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 11,993	\$
Water Plant Operations	148,493	
Wastewater Treatment Plant Operations	46,260	
Joint Facility Capital Projects	49,133	
Restricted for Debt Service		723,155
Unassigned	5,123,075	
<b>TOTAL FUND BALANCES</b>	<b>\$ 5,378,954</b>	<b>\$ 723,155</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,883,559</b>	<b>\$ 730,338</b>
 <b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 354,553	\$	\$ 354,553
422	(422)	
144,999		144,999
	1,100,000	1,100,000
	10,151,090	10,151,090
\$ 499,974	\$ 11,250,668	\$ 11,750,642
\$ 11,814	\$ (11,814)	\$ - 0 -
\$ 11,993	\$ (11,993)	\$
148,493	(148,493)	
46,260	(46,260)	
49,133	(49,133)	
723,155	(723,155)	
5,123,075	(5,123,075)	
\$ 6,102,109	\$ (6,102,109)	\$ - 0 -
\$ 6,613,897		
	\$ (2,280,493)	\$ (2,280,493)
	732,133	732,133
	5,383,585	5,383,585
	\$ 3,835,225	\$ 3,835,225

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2018**

Total Fund Balances - Governmental Funds	\$ 6,102,109
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	8,970,597
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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.	13,609
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Bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(11,251,090)</u>
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Total Net Position - Governmental Activities	<u>\$ 3,835,225</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>		
Property Taxes	\$ 991,500	\$ 1,516,147
Water Service	576,334	
Wastewater Service	285,968	
Water Authority Fees	807,387	
Penalty and Interest	12,679	12,689
Miscellaneous Revenues	86,184	19,625
<b>TOTAL REVENUES</b>	<u>\$ 2,760,052</u>	<u>\$ 1,548,461</u>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 160,233	\$ 3,555
Contracted Services	85,070	47,588
Purchased Water Service	991,729	
Purchased Wastewater Service	358,488	
Utilities	10,786	
Repairs and Maintenance	191,332	
Depreciation		
Other	122,319	2,989
Capital Outlay	119,080	
Debt Service:		
Bond Principal		1,085,000
Bond Interest		433,456
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 2,039,037</u>	<u>\$ 1,572,588</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 721,015	\$ (24,127)
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION -</b> <b>SEPTEMBER 1, 2017</b>	<u>4,657,939</u>	<u>747,282</u>
<b>FUND BALANCES/NET POSITION -</b> <b>AUGUST 31, 2018</b>	<u>\$ 5,378,954</u>	<u>\$ 723,155</u>

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 2,507,647	\$ (5,553)	\$ 2,502,094
576,334		576,334
285,968		285,968
807,387		807,387
25,368	(2,484)	22,884
105,809		105,809
<u>\$ 4,308,513</u>	<u>\$ (8,037)</u>	<u>\$ 4,300,476</u>
\$ 163,788	\$ (7,065)	\$ 156,723
132,658		132,658
991,729		991,729
358,488		358,488
10,786		10,786
191,332		191,332
	374,469	374,469
125,308		125,308
119,080	(119,080)	
1,085,000	(1,085,000)	
433,456	(13,751)	419,705
<u>\$ 3,611,625</u>	<u>\$ (850,427)</u>	<u>\$ 2,761,198</u>
\$ 696,888	\$ (696,888)	\$
	1,539,278	1,539,278
<u>5,405,221</u>	<u>(3,109,274)</u>	<u>2,295,947</u>
<u>\$ 6,102,109</u>	<u>\$ (2,266,884)</u>	<u>\$ 3,835,225</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$	696,888
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
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.		(5,553)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(2,484)
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.		(374,469)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		126,145
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.		1,085,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		<u>13,751</u>
Change in Net Position - Governmental Activities	\$	<u><u>1,539,278</u></u>

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



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 1. CREATION OF DISTRICT**

Harris County Municipal Utility District No. 364 of Harris County, Texas (the “District”) was created effective June 26, 1996, by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, 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.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

The District is a participant in the Harris County Municipal Utility District No. 365 (District No. 365) Regional Wastewater Treatment Plant and Water Plant (the Plants), which were formed to maintain and operate wastewater treatment and water facilities on behalf of all participants, as further described in Note 9. Complete financial information for the Plants may be obtained from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027. The District is also a participant in the Harris County Municipal Utility District No. 360 (District No. 360) Regional Wastewater Treatment Plant and Water Plant (the Plants), which were formed to maintain and operate wastewater treatment and water facilities on behalf of all participants, as further described in Note 9. Complete financial information for the Plants may be obtained from Schwartz, Page & Harding, LLP, 1300 Post Oak Boulevard, Suite 1400, Houston, TX 77056.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation

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

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

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has two governmental funds and considers each to be major funds.

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.

Basis of Accounting

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

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. As of August 31, 2018, the General Fund owed the Debt Service Fund (Tax Account) \$422 for the over transfer of maintenance tax collections.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Jogging Trails	30

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 the directors are employees for federal payroll tax 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 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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*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.

**NOTE 3. LONG-TERM DEBT**

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

	September 1, 2017	Additions	Retirements	August 31, 2018
Bonds Payable	\$ 12,205,000	\$	\$ 1,085,000	\$ 11,120,000
Unamortized Discounts	(101,013)		(11,865)	(89,148)
Unamortized Premiums	245,854		25,616	220,238
Bonds Payable, Net	<u>\$ 12,349,841</u>	<u>\$ -0-</u>	<u>\$ 1,098,751</u>	<u>\$ 11,251,090</u>
			Amount Due Within One Year	\$ 1,100,000
			Amount Due After One Year	10,151,090
			Bonds Payable, Net	<u>\$ 11,251,090</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

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

Fiscal Year	Principal	Interest	Total
2019	\$ 1,100,000	\$ 407,732	\$ 1,507,732
2020	1,145,000	379,906	1,524,906
2021	1,170,000	340,062	1,510,062
2022	1,220,000	299,281	1,519,281
2023	1,245,000	255,194	1,500,194
2024-2028	5,240,000	540,600	5,780,600
	<u>\$ 11,120,000</u>	<u>\$ 2,222,775</u>	<u>\$ 13,342,775</u>

The District's bonds payable at August 31, 2018, consists of the following:

	Series 2010 Refunding	Series 2010A
Amount Outstanding – August 31, 2018	\$1,385,000	\$1,635,000
Interest Rates	3.50%-4.00%	3.00%-4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2024	September 1, 2019/2028
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2018*	September 1, 2018*
	Series 2011 Refunding	Series 2012 Refunding
Amount Outstanding – August 31, 2018	\$4,175,000	\$3,925,000
Interest Rates	2.50%-4.00%	2.00%-4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2026	September 1, 2019/2027
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2019*	September 1, 2019*

\* Or any date thereafter, callable at par plus accrued interest to the date of redemption. The Series 2010A term bonds maturing on September 1, 2020 and 2025, are subject to mandatory redemption beginning September 1, 2019, and 2023, respectively.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

As of August 31, 2018, the District had authorized but unissued bonds in the amount of \$12,660,000 for water, sanitary sewer and drainage facilities and authorized but unissued bonds in the amount of \$7,630,000 for refunding purposes. 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.

The District levied an ad valorem debt service tax rate of \$0.275 per \$100 of assessed valuation, which resulted in a tax levy of \$1,515,173 on the adjusted taxable valuation of \$550,972,065 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.

The District's tax calendar is as follows:

Levy Date	- October 1, or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Upon receipt, but 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 requirements 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 the five-year anniversary of the 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.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**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 \$4,281,852 and the bank balance was \$4,547,156. The District was not exposed to custodial credit risk at year-end.

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 289,692	\$ 3,379,593	\$ 3,669,285
DEBT SERVICE FUND	130,156	482,411	612,567
TOTAL DEPOSITS	\$ 419,848	\$ 3,862,004	\$ 4,281,852

Investments

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

Investments (Continued)

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District's investments in certificates of deposit are recorded at amortized cost. As of August 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 1,747,858	\$ 1,747,858
Certificates of Deposit	3,379,593	3,379,593
<u>DEBT SERVICE FUND</u>		
TexPool	106,227	106,227
Certificates of Deposit	482,411	482,411
<b>TOTAL INVESTMENTS</b>	<b>\$ 5,716,089</b>	<b>\$ 5,716,089</b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2018, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District also manages credit risk by 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 also manages interest rate risk by investing in certificates of deposit with maturities of one year or less.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

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.

**NOTE 6. CAPITAL ASSETS**

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

	September 1, 2017	Increases	Decreases	August 31, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 1,397,293	\$	\$	\$ 1,397,293
Construction in Progress	<u>130,863</u>	<u>126,145</u>	<u></u>	<u>257,008</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 1,528,156</u>	<u>\$ 126,145</u>	<u>\$ - 0 -</u>	<u>\$ 1,654,301</u>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 4,701,081	\$	\$	\$ 4,701,081
Wastewater System	7,522,602			7,522,602
Jogging Trails	<u>975,607</u>	<u></u>	<u></u>	<u>975,607</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 13,199,290</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 13,199,290</u>
<b>Accumulated Depreciation</b>				
Water System	\$ 2,176,917	\$ 138,976	\$	\$ 2,315,893
Wastewater System	3,064,231	200,904		3,265,135
Jogging Trails	<u>267,377</u>	<u>34,589</u>	<u></u>	<u>301,966</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 5,508,525</u>	<u>\$ 374,469</u>	<u>\$ - 0 -</u>	<u>\$ 5,882,994</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 7,690,765</u>	<u>\$ (374,469)</u>	<u>\$ - 0 -</u>	<u>\$ 7,316,296</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 9,218,921</u>	<u>\$ (248,324)</u>	<u>\$ - 0 -</u>	<u>\$ 8,970,597</u>

**NOTE 7. MAINTENANCE TAX**

At an election held on August 10, 1996, voters authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended August 31, 2018, the District levied an ad valorem maintenance tax rate of \$0.18 per \$100 of assessed valuation, which resulted in a tax levy of \$991,750 on the adjusted taxable valuation of \$550,972,065 for the 2017 tax year. The maintenance tax is being used by the General Fund to pay expenditures of operating the District.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

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

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current pumpage fee and surface water fee charged by the Authority is \$3.40 and \$3.85, respectively, per 1,000 gallons of water. The District’s share of Authority fees is included in purchased water costs.

**NOTE 9. CONTRACTS WITH OTHER DISTRICTS**

Joint Wastewater Treatment Plant and Water Plant Facilities

On October 8, 1998, the District and District No. 365 entered into an agreement whereby the District would purchase capacity in water production, wastewater treatment, and storm water control facilities owned and constructed by District No. 365. The agreement was subsequently amended and restated on August 4, 1999, April 1, 2000, April 26, 2001, February 21, 2002, and April 23, 2003. On July 1, 2004, the District and District No. 365 executed the Coles Crossing Joint Facilities Agreement. This agreement was amended on October 1, 2005, and September 1, 2009. Effective August 11, 2015, the districts entered into an interim water capacity lease agreement whereby the District leased an additional 61,000 gallons-per-day of water capacity from District No. 365. The term of the agreement is 5 years with automatic renewals on an annual basis, unless terminated. District No. 365 manages and operates the joint facilities. The participants are billed monthly for operating costs. Effective July 1, 2004, operating costs of the water and wastewater treatment plants are billed based on each District’s pro rata share of water consumption.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 9. CONTRACTS WITH OTHER DISTRICTS (Continued)**

Joint Wastewater Treatment Plant and Water Plant Facilities (Continued)

During the current fiscal year, the District incurred operating costs of \$333,642 for wastewater treatment services; \$893,179 for water services; and \$18,360, for leased water capacity. The District has also advanced \$144,013 for water plant operations and \$44,760 for wastewater treatment services as of August 31, 2018. During the current year, the District advanced an additional \$131,000 for its share of the engineering costs for the expansion of the joint wastewater treatment plant and joint water plant no. 2. The District recorded total capital costs of \$257,008 for these projects. Each participant's current ownership percentage is as follows:

Participants	Proportionate Share- Water Plant	Proportionate Share- Wastewater Treatment Plant
District No. 365	56.00%	46.40%
The District	<u>44.00</u>	<u>53.60</u>
TOTALS	<u>100.00%</u>	<u>100.00%</u>

The condensed audited financial information of the joint facilities as of and for the year ended August 31, 2017, as reflected in District No. 365's financial statements, is as follows:

	Water Plant	Wastewater Treatment Plant
Total Assets	<u>\$ 457,967</u>	<u>\$ 146,557</u>
Total Liabilities	\$ 313,954	\$ 101,797
Total Fund Balance	<u>144,013</u>	<u>44,760</u>
Total Liabilities and Fund Balance	<u>\$ 457,967</u>	<u>\$ 146,557</u>
Total Revenues	\$ 1,763,230	\$ 477,597
Total Expenditures	<u>1,763,230</u>	<u>477,597</u>
Excess Revenues Over Expenditures	\$ - 0 -	\$ - 0 -
Interfund Transfers In (Out)	<u>22,873</u>	<u>268</u>
Net Change in Fund Balances	\$ 22,873	\$ 268
Fund Balances, Beginning of Year	<u>121,140</u>	<u>44,492</u>
Fund Balances, End of Year	<u>\$ 144,013</u>	<u>\$ 44,760</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 9. CONTRACTS WITH OTHER DISTRICTS (Continued)**

Shared Facilities

On August 23, 2005, the District entered into contracts with Harris County Municipal Utility District No. 360, whereby the District agreed to purchase a portion of District No. 360's existing wastewater treatment and water facilities to service property annexed into the District's boundaries. Both the water supply and wastewater treatment contracts were amended on June 23, 2009, to clarify the manner in which the costs of capital improvements and extraordinary repairs are allocated to the participants. Under the terms of the agreement, the District pays a portion of the costs of operating the facilities. During the current fiscal year, the District incurred operating costs of \$24,846 for wastewater treatment services and \$80,190 for water services. The District has contributed a reserve of \$4,480 for the water plant operations and \$1,500 for the wastewater treatment plant operations. Each participant's current ownership percentage is shown as follows:

Participants	Proportionate Share- Water Plant	Proportionate Share- Wastewater Treatment Plant
District No. 360	93.80%	91.30%
The District	<u>6.20</u>	<u>8.70</u>
TOTALS	<u>100.00%</u>	<u>100.00%</u>

The condensed audited financial information of the joint facilities as of and for the year ended December 31, 2017, as reflected in District No. 360's financial statements, is as follows:

	Water Plant	Wastewater Treatment Plant
Total Assets	\$ 170,589	\$ 52,118
Total Liabilities	\$ 102,814	\$ 23,618
Total Fund Balance	67,775	28,500
Total Liabilities and Fund Balance	\$ 170,589	\$ 52,118
Total Revenues	\$ 1,246,372	\$ 255,901
Total Expenditures	1,246,372	255,901
Net Change in Fund Balances	\$ - 0 -	\$ - 0 -
Fund Balances, Beginning of Year	67,775	28,500
Fund Balances, End of Year	\$ 67,775	\$ 28,500

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 10. 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 there have been no settlements in the past three years.

**NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT**

Effective December 19, 2011, the District entered into a Strategic Partnership Agreement (“SPA”) with the City of Houston, Texas. Under the agreement, and in accordance with Subchapter F of Chapter 43 of the Local Government Code, the City has annexed a tract of land within the District for limited purposes. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. The District’s assets, liabilities, indebtedness, and obligations will remain the responsibilities of the District during the term of the SPA. The City may not annex the District for full purposes during the term of this agreement. The City imposes a Sales and Use Tax within the boundaries of the District under the SPA on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City will pay the District an amount equal to one-half of all Sales and Use Tax revenues collected within the District within 30 days of the City receiving the funds from the State Comptroller’s office. The term of this SPA is 30 years from the effective date. During the current fiscal year, the District recorded \$10,544 in sales tax revenues, of which \$4,996 was receivable at year end.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**

**REQUIRED SUPPLEMENTARY INFORMATION**

**AUGUST 31, 2018**



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,000,000	\$ 991,500	\$ (8,500)
Water Service	540,000	576,334	36,334
Wastewater Service	290,000	285,968	(4,032)
Water Authority Fees	650,000	807,387	157,387
Penalty and Interest	12,500	12,679	179
Miscellaneous Revenues	<u>41,000</u>	<u>86,184</u>	<u>45,184</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,533,500</u>	<u>\$ 2,760,052</u>	<u>\$ 226,552</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 205,500	\$ 160,233	\$ 45,267
Contracted Services	86,300	85,070	1,230
Purchased Water Service	1,069,002	991,729	77,273
Purchased Wastewater Service	262,357	358,488	(96,131)
Utilities	10,500	10,786	(286)
Repairs and Maintenance	155,000	191,332	(36,332)
Other	148,400	122,319	26,081
Capital Outlay	<u>1,604,696</u>	<u>119,080</u>	<u>1,485,616</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 3,541,755</u>	<u>\$ 2,039,037</u>	<u>\$ 1,502,718</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (1,008,255)	\$ 721,015	\$ 1,729,270
<b>FUND BALANCE - SEPTEMBER 1, 2017</b>	<u>4,657,939</u>	<u>4,657,939</u>	<u>_____</u>
<b>FUND BALANCE - AUGUST 31, 2018</b>	<u>\$ 3,649,684</u>	<u>\$ 5,378,954</u>	<u>\$ 1,729,270</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**AUGUST 31, 2018**





**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

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

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	1,322	1,318	x 1.0	1,318
1"	486	485	x 2.5	1,213
1½"	4	4	x 5.0	20
2"	19	19	x 8.0	152
3"	1	1	x 15.0	15
4"			x 25.0	
6"			x 50.0	
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water Connections	<u>1,834</u>	<u>1,829</u>		<u>2,878</u>
Total Wastewater Connections	<u>1,797</u>	<u>1,793</u>	x 1.0	<u>1,793</u>

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

Gallons pumped into system:	256,571,000	Water Accountability Ratio: 100% (Gallons billed/Gallons pumped)
Gallons billed to customers:	256,571,000	

See accompanying independent auditor's report.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 15,750
Engineering	55,842
Legal	88,641
TOTAL PROFESSIONAL FEES	<u>\$ 160,233</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 991,729
Purchased Wastewater Service	358,488
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,350,217</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 20,609
Operations and Billing	64,461
TOTAL CONTRACTED SERVICES	<u>\$ 85,070</u>
UTILITIES	<u>\$ 10,786</u>
REPAIRS AND MAINTENANCE	<u>\$ 191,332</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 10,650
Election	4,468
Insurance	6,239
Office Supplies and Postage	53,952
Travel and Meetings	7,287
Other	16,346
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 98,942</u>
CAPITAL OUTLAY	<u>\$ 119,080</u>
TAP CONNECTIONS	<u>\$ 3,865</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 7,743
Permit Fees	5,091
Inspection/Reconnection Fees	2,620
Regulatory Assessment	4,058
TOTAL OTHER EXPENDITURES	<u>\$ 19,512</u>
TOTAL EXPENDITURES	<u>\$ 2,039,037</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**INVESTMENTS**  
**AUGUST 31, 2018**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<b><u>GENERAL FUND</u></b>					
TexPool	XXXX0002	Varies	Daily	\$ 1,747,858	\$
Certificate of Deposit	XXXX5534	1.10%	09/22/18	206,880	2,138
Certificate of Deposit	XXXX5315	1.10%	10/25/18	247,944	2,316
Certificate of Deposit	XXXX0533	1.25%	11/05/18	245,000	2,509
Certificate of Deposit	XXXX3960	1.98%	05/10/19	240,000	1,862
Certificate of Deposit	XXXX8264	2.00%	04/10/19	240,000	1,881
Certificate of Deposit	XXXX2681	2.00%	04/17/19	240,000	1,788
Certificate of Deposit	XXXX5993	1.85%	10/16/18	375,000	2,585
Certificate of Deposit	XXXX7977	1.30%	02/11/19	246,229	1,763
Certificate of Deposit	XXXX5580	2.10%	03/17/19	242,799	2,333
Certificate of Deposit	XXXX0415	1.95%	04/18/19	244,295	1,762
Certificate of Deposit	XXXX1311	2.32%	07/01/19	103,145	400
Certificate of Deposit	XXXX6556	2.38%	07/15/19	506,390	1,618
Certificate of Deposit	XXXX2372	2.15%	02/07/19	241,911	313
TOTAL GENERAL FUND				<u>\$ 5,127,451</u>	<u>\$ 23,268</u>
<b><u>DEBT SERVICE FUND</u></b>					
TexPool	XXXX0001	Varies	Daily	\$ 106,227	\$
Certificate of Deposit	XXXX2889	1.93%	03/22/19	240,000	2,056
Certificate of Deposit	XXXX0395	1.75%	03/22/19	242,411	1,883
TOTAL DEBT SERVICE FUND				<u>\$ 588,638</u>	<u>\$ 3,939</u>
TOTAL - ALL FUNDS				<u>\$ 5,716,089</u>	<u>\$ 27,207</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
SEPTEMBER 1, 2017	\$	6,294	\$	11,073
Adjustments to Beginning				
Balance		<u>(1,913)</u>	\$	8,157
		\$	4,381	
Original 2017 Tax Levy	\$	961,128	\$	1,468,390
Adjustment to 2017 Tax Levy		<u>30,622</u>	<u>991,750</u>	<u>1,515,173</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	996,131	\$
				1,523,330
TAX COLLECTIONS:				
Prior Years	\$	3,398	\$	6,548
Current Year		<u>988,102</u>	<u>991,500</u>	<u>1,509,599</u>
				<u>1,516,147</u>
TAXES RECEIVABLE -				
AUGUST 31, 2018		<u>\$</u>	<u>4,631</u>	<u>\$</u>
				<u>7,183</u>
TAXES RECEIVABLE BY				
YEAR:				
2017	\$	3,648	\$	5,574
2016		700		1,069
2015		131		231
2014		135		250
2009		<u>17</u>		<u>59</u>
TOTAL		<u>\$</u>	<u>4,631</u>	<u>\$</u>
				<u>7,183</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 93,745,740	\$ 92,673,701	\$ 92,534,264	\$ 94,758,031
Improvements	473,911,737	482,275,698	475,885,722	429,228,007
Personal Property	4,075,159	5,416,558	7,851,937	6,472,076
Exemptions	<u>(20,760,571)</u>	<u>(26,556,250)</u>	<u>(41,142,956)</u>	<u>(39,430,232)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 550,972,065</u>	<u>\$ 553,809,707</u>	<u>\$ 535,128,967</u>	<u>\$ 491,027,882</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.275	\$ 0.275	\$ 0.290	\$ 0.315
Maintenance	<u>0.180</u>	<u>0.180</u>	<u>0.165</u>	<u>0.170</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.455</u>	<u>\$ 0.455</u>	<u>\$ 0.455</u>	<u>\$ 0.485</u>
ADJUSTED TAX LEVY*	<u>\$ 2,506,923</u>	<u>\$ 2,519,834</u>	<u>\$ 2,434,837</u>	<u>\$ 2,381,486</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.63 %</u>	<u>99.93 %</u>	<u>99.99 %</u>	<u>99.98 %</u>

\* Based upon 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 \$1.50 per \$100 of assessed valuation approved by voters on August 10, 1996.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**AUGUST 31, 2018**

SERIES - 2010 REFUNDING

Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 205,000	\$ 51,832	\$ 256,832
2020	215,000	44,656	259,656
2021	225,000	36,862	261,862
2022	235,000	28,706	263,706
2023	245,000	19,894	264,894
2024	260,000	10,400	270,400
2025			
2026			
2027			
2028			
	<u>\$ 1,385,000</u>	<u>\$ 192,350</u>	<u>\$ 1,577,350</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal years, assuming this practice will continue in the future.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**AUGUST 31, 2018**

S E R I E S - 2 0 1 0 A			
Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 50,000	\$ 63,650	\$ 113,650
2020	50,000	62,150	112,150
2021	50,000	60,650	110,650
2022	50,000	59,025	109,025
2023	50,000	57,400	107,400
2024	50,000	55,400	105,400
2025	200,000	53,400	253,400
2026	300,000	45,400	345,400
2027	400,000	33,400	433,400
2028	435,000	17,400	452,400
	\$ 1,635,000	\$ 507,875	\$ 2,142,875

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal years, assuming this practice will continue in the future.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**AUGUST 31, 2018**

SERIES - 2011 REFUNDING

Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 450,000	\$ 143,150	\$ 593,150
2020	465,000	131,900	596,900
2021	480,000	117,950	597,950
2022	500,000	103,550	603,550
2023	520,000	87,300	607,300
2024	550,000	70,400	620,400
2025	695,000	48,400	743,400
2026	515,000	20,600	535,600
2027			
2028			
	<u>\$ 4,175,000</u>	<u>\$ 723,250</u>	<u>\$ 4,898,250</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal years, assuming this practice will continue in the future.

See accompanying independent auditor's report.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**AUGUST 31, 2018**

SERIES - 2012 REFUNDING

Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 395,000	\$ 149,100	\$ 544,100
2020	415,000	141,200	556,200
2021	415,000	124,600	539,600
2022	435,000	108,000	543,000
2023	430,000	90,600	520,600
2024	425,000	73,400	498,400
2025	475,000	56,400	531,400
2026	470,000	37,400	507,400
2027	465,000	18,600	483,600
2028			
	<u>\$ 3,925,000</u>	<u>\$ 799,300</u>	<u>\$ 4,724,300</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal years, assuming this practice will continue in the future.

See accompanying independent auditor's report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**AUGUST 31, 2018**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending August 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 1,100,000	\$ 407,732	\$ 1,507,732
2020	1,145,000	379,906	1,524,906
2021	1,170,000	340,062	1,510,062
2022	1,220,000	299,281	1,519,281
2023	1,245,000	255,194	1,500,194
2024	1,285,000	209,600	1,494,600
2025	1,370,000	158,200	1,528,200
2026	1,285,000	103,400	1,388,400
2027	865,000	52,000	917,000
2028	435,000	17,400	452,400
	<u>\$ 11,120,000</u>	<u>\$ 2,222,775</u>	<u>\$ 13,342,775</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding September 1, 2017
Harris County Municipal Utility District No. 364 Unlimited Tax Refunding Bonds - Series 2010	\$ 2,775,000	\$ 1,580,000
Harris County Municipal Utility District No. 364 Unlimited Tax Bonds - Series 2010A	1,985,000	1,685,000
Harris County Municipal Utility District No. 364 Unlimited Tax Refunding Bonds - Series 2011	6,685,000	4,610,000
Harris County Municipal Utility District No. 364 Unlimited Tax Refunding Bonds - Series 2012	<u>5,950,000</u>	<u>4,330,000</u>
<b>TOTAL</b>	<u>\$ 17,395,000</u>	<u>\$ 12,205,000</u>
<b>Bond Authority:</b>	<u><b>Tax Bonds</b></u>	<u><b>Refunding Bonds</b></u>
Amount Authorized by Voters	\$ 38,400,000	\$ 23,040,000
Amount Issued	<u>25,740,000</u>	<u>15,410,000</u>
Remaining to be Issued	<u>\$ 12,660,000</u>	<u>\$ 7,630,000</u>
Debt Service Fund cash and investment balances as of August 31, 2018:		<u>\$ 718,794</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 1,334,278</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding August 31, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 195,000	\$ 58,169	\$ 1,385,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	50,000	65,150	1,635,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	435,000	152,937	4,175,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>405,000</u>	<u>157,200</u>	<u>3,925,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 1,085,000</u>	<u>\$ 433,456</u>	<u>\$ 11,120,000</u>	

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 991,500	\$ 992,533	\$ 877,809
Water Service	576,334	537,637	518,480
Wastewater Service	285,968	289,295	317,871
Water Authority Fees	807,387	687,040	569,751
Penalty and Interest	12,679	14,071	12,540
Miscellaneous Revenues	86,184	108,780	34,944
<b>TOTAL REVENUES</b>	<b>\$ 2,760,052</b>	<b>\$ 2,629,356</b>	<b>\$ 2,331,395</b>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 160,233	\$ 160,511	\$ 144,672
Contracted Services	85,070	85,745	83,344
Purchased Services	1,350,217	1,231,164	1,114,205
Repairs and Maintenance	191,332	149,841	144,312
Other	133,105	152,129	117,991
Capital Outlay	119,080	125,557	
Debt Service			
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,039,037</b>	<b>\$ 1,904,947</b>	<b>\$ 1,604,524</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 721,015</b>	<b>\$ 724,409</b>	<b>\$ 726,871</b>
<b>BEGINNING FUND BALANCE</b>	<b>4,657,939</b>	<b>3,933,530</b>	<b>3,206,659</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 5,378,954</b>	<b>\$ 4,657,939</b>	<b>\$ 3,933,530</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 833,849	\$ 687,236	35.9 %	37.8 %	37.7 %	37.4 %	31.6 %
542,805	545,671	20.9	20.5	22.3	24.4	25.1
286,269	297,535	10.4	11.0	13.6	12.8	13.7
515,197	513,495	29.2	26.1	24.4	23.1	23.6
11,957	13,188	0.5	0.5	0.5	0.5	0.6
38,883	116,582	3.1	4.1	1.5	1.8	5.4
<u>\$ 2,228,960</u>	<u>\$ 2,173,707</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 157,854	\$ 138,435	5.8 %	6.1 %	6.2 %	7.1 %	6.4 %
85,448	82,959	3.1	3.3	3.6	3.8	3.8
1,029,394	1,026,448	49.0	46.8	47.8	46.2	47.2
143,407	193,134	6.9	5.7	6.2	6.4	8.9
134,234	135,656	4.8	5.8	5.0	6.0	6.2
	2,100,000	4.3	4.8			96.6
<u>\$ 1,550,337</u>	<u>\$ 3,676,632</u>	<u>73.9 %</u>	<u>72.5 %</u>	<u>68.8 %</u>	<u>69.5 %</u>	<u>169.1 %</u>
\$ 678,623	\$ (1,502,925)	<u>26.1 %</u>	<u>27.5 %</u>	<u>31.2 %</u>	<u>30.5 %</u>	<u>(69.1) %</u>
<u>2,528,036</u>	<u>4,030,961</u>					
<u>\$ 3,206,659</u>	<u>\$ 2,528,036</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 1,516,147	\$ 1,516,485	\$ 1,542,796
Penalty and Interest	12,689	12,454	10,622
Miscellaneous Revenues	19,625	6,433	4,378
<b>TOTAL REVENUES</b>	<b>\$ 1,548,461</b>	<b>\$ 1,535,372</b>	<b>\$ 1,557,796</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 52,882	\$ 55,579	\$ 48,235
Debt Service Principal	1,085,000	1,075,000	1,045,000
Debt Service Interest and Fees	434,706	459,856	483,769
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,572,588</b>	<b>\$ 1,590,435</b>	<b>\$ 1,577,004</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (24,127)</b>	<b>\$ (55,063)</b>	<b>\$ (19,208)</b>
<b>BEGINNING FUND BALANCE</b>	<b>747,282</b>	<b>802,345</b>	<b>821,553</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 723,155</b>	<b>\$ 747,282</b>	<b>\$ 802,345</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>1,829</b>	<b>1,829</b>	<b>1,829</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>1,793</b>	<b>1,792</b>	<b>1,786</b>

See accompanying independent auditor's report.



		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 1,546,021	\$ 1,531,566	97.9 %	98.8 %	99.0 %	99.0 %	98.8 %
11,823	13,396	0.8	0.8	0.7	0.8	0.9
4,085	5,889	1.3	0.4	0.3	0.2	0.3
<u>\$ 1,561,929</u>	<u>\$ 1,550,851</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 50,172	\$ 47,469	3.4 %	3.6 %	3.1 %	3.2 %	3.1 %
1,015,000	1,095,000	70.1	70.0	67.1	65.0	70.6
503,006	615,956	28.1	29.9	31.0	32.2	39.7
<u>\$ 1,568,178</u>	<u>\$ 1,758,425</u>	<u>101.6 %</u>	<u>103.5 %</u>	<u>101.2 %</u>	<u>100.4 %</u>	<u>113.4 %</u>
\$ (6,249)	\$ (207,574)	<u>(1.6) %</u>	<u>(3.5) %</u>	<u>(1.2) %</u>	<u>(0.4) %</u>	<u>(13.4) %</u>
<u>827,802</u>	<u>1,035,376</u>					
<u>\$ 821,553</u>	<u>\$ 827,802</u>					
<u>1,822</u>	<u>1,822</u>					
<u>1,787</u>	<u>1,788</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**AUGUST 31, 2018**

District Mailing Address - Harris County Municipal Utility District No. 364  
c/o Radcliffe Bobbitt Adams Polley PLLC  
2929 Allen Parkway, Suite 3450  
Houston, TX 77019-7120

District Telephone Number - (713) 237-1221

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of office for the year ended <u>August 31, 2018</u>	Expense reimbursements for the year ended <u>August 31, 2018</u>	<u>Title</u>
Vince DeAngelis	11/16 - 11/20 (Elected)	\$ 2,100	\$ -0-	President
Dale R. Trevino	11/14 - 11/18 (Elected)	\$ 2,250	\$ 1,328	Vice President
Ross Alan Crawford	11/16 - 11/20 (Elected)	\$ 2,400	\$ 1,076	Secretary/ Investment Officer
Lucinda A. Henrichson	08/18 - 11/18 (Appointed)	\$ -0-	\$ -0-	Assistant Secretary
Erin Corken	11/16 - 11/20 (Elected)	\$ 2,850	\$ 2,545	Director
William Alan Beard	11/14 - 07/18 (Resigned)	\$ 1,650	\$ 559	Former Secretary/ Investment Officer

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. Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): August 29, 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 July 20, 2003. 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. 364**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**AUGUST 31, 2018**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended August 31, 2018</u>	<u>Title</u>
Radcliffe Bobbitt Adams Polley PLLC	07/16/03	\$ 93,109	General Counsel
McCall Gibson Swedlund Barfoot PLLC	08/28/07	\$ 15,750	Auditor
Myrtle Cruz, Inc.	06/22/04	\$ 23,135	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	12/13/00	\$ 2,955	Delinquent Tax Attorney
Van De Wiele & Vogler, Inc.	05/24/16	\$ 55,842	Engineer
Hilltop Securities, Inc.	08/20/96	\$ 3,500	Prior Financial Advisor
Masterson Advisors LLC	05/22/18	\$ -0-	Financial Advisor
Bob Leared, RTA	06/01/12	\$ 25,087	Tax Assessor/ Collector
Municipal Operations & Consulting, Inc.	06/01/12	\$ 312,381	Operator

See accompanying independent auditor's report.

