

# **Harris County Municipal Utility District No. 370**

Harris County, Texas

Independent Auditor's Report and Financial Statements

August 31, 2021



**Harris County Municipal Utility District No. 370**  
**August 31, 2021**

**Contents**

<b>Independent Auditor's Report.....</b>	<b>1</b>
<b>Management's Discussion and Analysis .....</b>	<b>3</b>
<b>Basic Financial Statements</b>	
Statement of Net Position and Governmental Funds Balance Sheet .....	9
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances .....	11
Notes to Financial Statements.....	13
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund.....	27
Notes to Required Supplementary Information .....	28
<b>Other Information</b>	
Other Schedules Included Within This Report .....	29
Schedule of Services and Rates .....	30
Schedule of General Fund Expenditures.....	31
Schedule of Temporary Investments.....	32
Analysis of Taxes Levied and Receivable .....	33
Schedule of Long-term Debt Service Requirements by Years .....	35
Changes in Long-term Bonded Debt .....	39
Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years .....	40
Board Members, Key Personnel and Consultants.....	42

## Independent Auditor's Report

Board of Directors  
Harris County Municipal Utility District No. 370  
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. 370 (the District), as of and for the year ended August 31, 2021, 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 entity'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, 2021, and the respective changes in financial position thereof 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 budgetary comparison schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**BKD, LLP**

Houston, Texas  
January 10, 2022

# **Harris County Municipal Utility District No. 370**

## **Management's Discussion and Analysis**

### **August 31, 2021**

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### **Government-wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

**Harris County Municipal Utility District No. 370**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2021**

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

**Fund Financial Statements**

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

**Governmental Funds**

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

**Notes to Financial Statements**

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

**Harris County Municipal Utility District No. 370**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2021**

**Financial Analysis of the District as a Whole**

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

**Summary of Net Position**

	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 8,354,366	\$ 9,070,268
Capital assets	16,114,654	15,888,104
Total assets	24,469,020	24,958,372
Deferred outflows of resources	207,554	401,802
Total assets and deferred outflows of resources	\$ 24,676,574	\$ 25,360,174
Long-term liabilities	\$ 10,182,701	\$ 11,891,430
Other liabilities	718,220	439,316
Total liabilities	10,900,921	12,330,746
Net position:		
Net investment in capital assets	6,139,507	4,559,047
Restricted	2,939,939	3,371,234
Unrestricted	4,696,207	5,099,147
Total net position	\$ 13,775,653	\$ 13,029,428

The total net position of the District increased by \$746,225, or about 6 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Harris County Municipal Utility District No. 370**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2021**

**Summary of Changes in Net Position**

	<u>2021</u>	<u>2020</u>
Revenues:		
Property taxes	\$ 2,144,154	\$ 2,166,572
Charges for services	1,743,623	1,765,211
Other revenues	95,713	185,989
Total revenues	<u>3,983,490</u>	<u>4,117,772</u>
Expenses:		
Services	2,328,215	2,173,205
Depreciation	414,829	423,560
Debt service	494,221	459,171
Total expenses	<u>3,237,265</u>	<u>3,055,936</u>
Change in net position	746,225	1,061,836
Net position, beginning of year	<u>13,029,428</u>	<u>11,967,592</u>
Net position, end of year	<u>\$ 13,775,653</u>	<u>\$ 13,029,428</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended August 31, 2021, were \$7,670,402, a decrease of \$1,042,599 from the prior year.

The general fund's fund balance decreased by \$404,485, primarily due to service operations and capital outlay expenditures in excess of property tax and service revenues.

The debt service fund's fund balance decreased by \$187,777, primarily because bond principal and interest requirements and contracted services expenditures exceeded property tax revenues.

The capital projects fund's fund balance decreased by \$450,337 due to capital outlay expenditures.

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to regional water fee revenues and purchased services, repairs and maintenance, and capital outlay expenditures being less than anticipated. In addition, regional water fee expenditures were not included in the budget. The fund balance as of August 31, 2021, was expected to be \$4,683,659 and the actual end-of-year fund balance was \$4,692,952.



**Harris County Municipal Utility District No. 370**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2021**

**Capital Assets and Related Debt**

**Capital Assets**

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

**Capital Assets (Net of Accumulated Depreciation)**

	<b>2021</b>	<b>2020</b>
Land and improvements	\$ 6,381,548	\$ 6,381,548
Water facilities	2,632,445	2,194,858
Wastewater facilities	3,442,792	3,585,250
Drainage facilities	3,657,869	3,726,448
Total capital assets	\$ 16,114,654	\$ 15,888,104

During the current year, additions to capital assets were as follows:

Refurbishment of water plant No. 1	\$ 331,960
Water well rehabilitation and 1,200 gallons-per-minute pump	230,900
Lakes on Eldridge North, Section 16, inlet upgrades	78,519
	\$ 641,379

**Debt**

The changes in the debt position of the District during the fiscal year ended August 31, 2021, are summarized as follows:

Long-term debt payable, beginning of year	\$ 11,891,430
Increases in long-term debt	6,707,707
Decreases in long-term debt	(8,416,436)
Long-term debt payable, end of year	\$ 10,182,701

At August 31, 2021, the District had \$13,715,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A+" from Standard & Poor's. The Series 2012, 2013 and 2020 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

**Harris County Municipal Utility District No. 370**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2021**

On September 10, 2020, the District issued \$6,230,000 in unlimited tax refunding bonds, Series 2020, to refund \$2,790,000 of its outstanding Series 2010 refunding bonds and \$3,640,000 of its outstanding Series 2012 refunding bonds. The District refunded the bonds to reduce total debt service payments over future years by \$453,943 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new) of \$428,520.

**Other Relevant Factors**

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent if the City complies with the procedures and requirements of Chapter 43, Texas Local Government Code, as amended. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Subsequent Event

On September 14, 2021, the District issued \$2,470,000 in unlimited tax refunding bonds, Series 2021, to refund \$2,580,000 of its outstanding Series 2013 refunding bonds. The District refunded the bonds to reduce total debt service payments over future years by \$193,744 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new) of \$180,674.

Contingencies

A developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction amounts are approximately \$5,400,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

**Harris County Municipal Utility District No. 370**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**August 31, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 129,748	\$ 60,943	\$ 100	\$ 190,791	\$ -	\$ 190,791
Certificates of deposit	3,120,000	960,000	-	4,080,000	-	4,080,000
Short-term investments	1,727,655	1,959,249	195,235	3,882,139	-	3,882,139
Receivables:						
Property taxes	3,255	24,539	-	27,794	-	27,794
Service accounts	153,450	-	-	153,450	-	153,450
Accrued penalty and interest	-	-	-	-	12,009	12,009
Accrued interest	5,167	3,016	-	8,183	-	8,183
Interfund receivable	201,093	-	-	201,093	(201,093)	-
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	6,381,548	6,381,548
Infrastructure	-	-	-	-	9,733,106	9,733,106
<b>Total assets</b>	<b>5,340,368</b>	<b>3,007,747</b>	<b>195,335</b>	<b>8,543,450</b>	<b>15,925,570</b>	<b>24,469,020</b>
<b>Deferred Outflows of Resources</b>						
Deferred amount on debt refundings	0	0	0	0	207,554	207,554
<b>Total assets and deferred outflows of resources</b>	<b>\$ 5,340,368</b>	<b>\$ 3,007,747</b>	<b>\$ 195,335</b>	<b>\$ 8,543,450</b>	<b>\$ 16,133,124</b>	<b>\$ 24,676,574</b>

**Harris County Municipal Utility District No. 370**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**August 31, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>						
Accounts payable	\$ 517,450	\$ -	\$ -	\$ 517,450	\$ -	\$ 517,450
Accrued interest payable	-	-	-	-	74,059	74,059
Customer deposits	112,205	-	-	112,205	-	112,205
Due to others	14,506	-	-	14,506	-	14,506
Interfund payable	-	5,758	195,335	201,093	(201,093)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,750,000	1,750,000
Due after one year	-	-	-	-	8,432,701	8,432,701
Total liabilities	<u>644,161</u>	<u>5,758</u>	<u>195,335</u>	<u>845,254</u>	<u>10,055,667</u>	<u>10,900,921</u>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	<u>3,255</u>	<u>24,539</u>	<u>0</u>	<u>27,794</u>	<u>(27,794)</u>	<u>0</u>
<b>Fund Balances/Net Position</b>						
Fund balances:						
Restricted, unlimited tax bonds	-	2,977,450	-	2,977,450	(2,977,450)	-
Assigned, future expenditures	394,671	-	-	394,671	(394,671)	-
Unassigned	<u>4,298,281</u>	<u>-</u>	<u>-</u>	<u>4,298,281</u>	<u>(4,298,281)</u>	<u>-</u>
Total fund balances	<u>4,692,952</u>	<u>2,977,450</u>	<u>0</u>	<u>7,670,402</u>	<u>(7,670,402)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,340,368</u>	<u>\$ 3,007,747</u>	<u>\$ 195,335</u>	<u>\$ 8,543,450</u>		
Net position:						
Net investment in capital assets					6,139,507	6,139,507
Restricted for debt service					2,939,939	2,939,939
Unrestricted					<u>4,696,207</u>	<u>4,696,207</u>
Total net position					<u>\$ 13,775,653</u>	<u>\$ 13,775,653</u>

**Harris County Municipal Utility District No. 370**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended August 31, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 250,712	\$ 1,880,309	\$ -	\$ 2,131,021	\$ 13,133	\$ 2,144,154
Water service	402,116	-	-	402,116	-	402,116
Sewer service	597,769	-	-	597,769	-	597,769
Regional water fee	743,738	-	-	743,738	-	743,738
Penalty and interest	39,891	13,791	-	53,682	5,003	58,685
Investment income	26,540	9,988	457	36,985	-	36,985
Other income	-	43	-	43	-	43
<b>Total revenues</b>	<b>2,060,766</b>	<b>1,904,131</b>	<b>457</b>	<b>3,965,354</b>	<b>18,136</b>	<b>3,983,490</b>
<b>Expenditures/Expenses</b>						
Service operations:						
Purchased services	779,000	-	-	779,000	-	779,000
Regional water fee	103,610	-	-	103,610	-	103,610
Professional fees	127,364	2,527	-	129,891	5,457	135,348
Contracted services	488,942	42,289	-	531,231	-	531,231
Utilities	39,302	-	-	39,302	-	39,302
Repairs and maintenance	559,036	-	-	559,036	94,281	653,317
Other expenditures	77,672	8,733	2	86,407	-	86,407
Capital outlay	290,325	-	450,792	741,117	(741,117)	-
Depreciation	-	-	-	-	414,829	414,829
Debt service:						
Principal retirement	-	1,720,000	-	1,720,000	(1,720,000)	-
Interest and fees	-	271,838	-	271,838	1,654	273,492
Debt issuance costs	-	220,729	-	220,729	-	220,729
Debt defeasance	-	55,000	-	55,000	(55,000)	-
<b>Total expenditures/expenses</b>	<b>2,465,251</b>	<b>2,321,116</b>	<b>450,794</b>	<b>5,237,161</b>	<b>(1,999,896)</b>	<b>3,237,265</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(404,485)</b>	<b>(416,985)</b>	<b>(450,337)</b>	<b>(1,271,807)</b>	<b>2,018,032</b>	

**Harris County Municipal Utility District No. 370**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances (Continued)**  
**Year Ended August 31, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Other Financing Sources (Uses)</b>						
General obligation bonds issued	\$ -	\$ 6,230,000	\$ -	\$ 6,230,000	\$ (6,230,000)	
Premium on debt issued	-	477,707	-	477,707	(477,707)	
Deposit with escrow agent	-	(6,478,499)	-	(6,478,499)	6,478,499	
Total other financing sources	0	229,208	0	229,208	(229,208)	
<b>Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>						
	(404,485)	(187,777)	(450,337)	(1,042,599)	1,042,599	
<b>Change in Net Position</b>					746,225	\$ 746,225
<b>Fund Balances/Net Position</b>						
Beginning of year	5,097,437	3,165,227	450,337	8,713,001	-	13,029,428
End of year	\$ 4,692,952	\$ 2,977,450	\$ 0	\$ 7,670,402	\$ 0	\$ 13,775,653

**Harris County Municipal Utility District No. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

Harris County Municipal Utility District No. 370 (the District) was created by an order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective August 30, 1999, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District also provides solid waste disposal service.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

***Reporting Entity***

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

***Government-wide and Fund Financial Statements***

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

# Harris County Municipal Utility District No. 370

## Notes to Financial Statements

### August 31, 2021

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

*General Fund* – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

*Debt Service Fund* – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

*Capital Projects Fund* – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

#### **Fund Balances – Governmental Funds**

The fund balances for the District's governmental funds can be displayed in up to five components:

*Nonspendable* – Amounts that are not in a spendable form or are required to be maintained intact.

*Restricted* – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed* – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

*Assigned* – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned* – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.



**Harris County Municipal Utility District No. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

***Measurement Focus and Basis of Accounting***

**Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

**Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

***Deferred Outflows and Inflows of Resources***

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

**Harris County Municipal Utility District No. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

***Interfund Transactions***

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

***Pension Costs***

The District does not participate in a pension plan and, therefore, has no pension costs.

***Use of 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 amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

***Investments and Investment Income***

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

***Property Taxes***

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

**Harris County Municipal Utility District No. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2021, include collections during the current period or within 60 days of year-end related to the 2020 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2021, the 2020 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<b>Years</b>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

**Deferred Amount on Debt Refundings**

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

**Debt Issuance Costs**

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

**Harris County Municipal Utility District No. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Net Position/Fund Balances***

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, generally, it is the District's policy to use restricted resources first.

***Reconciliation of Government-wide and Fund Financial Statements***

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 16,114,654
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	27,794
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	12,009
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	207,554

**Harris County Municipal Utility District No. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	\$ (74,059)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(10,182,701)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ 6,105,251</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ (1,042,599)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation and noncapitalized costs in the current year.	226,550
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(477,707)
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to government funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	2,023,499
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	18,136
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(1,654)</u>
Change in net position of governmental activities.	<u><u>\$ 746,225</u></u>

**Harris County Municipal Utility District No. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At August 31, 2021, none of the District's bank balances were exposed to custodial credit risk.

***Investments***

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

At August 31, 2021, the District had the following investments and maturities.

**Harris County Municipal Utility District No. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 3,882,139	\$ 3,882,139	\$ 0	\$ 0	\$ 0

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from using interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2021, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

**Summary of Carrying Values**

The carrying values of deposits and investments shown previously are included in the balance sheet at August 31, 2021, as follows:

Carrying value:	
Deposits	\$ 4,270,791
Investments	<u>3,882,139</u>
Total	<u>\$ 8,152,930</u>

Included in the following statement of net position captions:

Cash	\$ 190,791
Certificates of deposit	4,080,000
Short-term investments	<u>3,882,139</u>
Total	<u>\$ 8,152,930</u>

**Investment Income**

Investment income of \$36,985 for the year ended August 31, 2021, consisted of interest income.

**Harris County Municipal Utility District No. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

***Fair Value Measurements***

The District has the following recurring fair value measurements as of August 31, 2021:

- Pooled investments of \$3,882,139 are valued at fair value per share of the pool's underlying portfolio.

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended August 31, 2021, is presented as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:			
Land and improvements	\$ 6,381,548	\$ 0	\$ 6,381,548
Capital assets, depreciable:			
Water production and distribution facilities	4,890,998	562,860	5,453,858
Wastewater collection and treatment facilities	6,467,508	-	6,467,508
Drainage facilities	6,489,656	78,519	6,568,175
Total capital assets, depreciable	17,848,162	641,379	18,489,541
Less accumulated depreciation:			
Water production and distribution facilities	(2,696,140)	(125,273)	(2,821,413)
Wastewater collection and treatment facilities	(2,882,258)	(142,458)	(3,024,716)
Drainage facilities	(2,763,208)	(147,098)	(2,910,306)
Total accumulated depreciation	(8,341,606)	(414,829)	(8,756,435)
Total governmental activities, net	\$ 15,888,104	\$ 226,550	\$ 16,114,654

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended August 31, 2021, were as follows.



**Harris County Municipal Utility District No. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:					
General obligation bonds	\$ 11,495,000	\$ 6,230,000	\$ 8,150,000	\$ 9,575,000	\$ 1,750,000
Add premiums on bonds	396,430	477,707	266,436	607,701	-
Total governmental activities long-term liabilities	<u>\$ 11,891,430</u>	<u>\$ 6,707,707</u>	<u>\$ 8,416,436</u>	<u>\$ 10,182,701</u>	<u>\$ 1,750,000</u>

**General Obligation Bonds**

	<b>Refunding Series 2012</b>	<b>Refunding Series 2013</b>
Amounts outstanding, August 31, 2021	\$565,000	\$2,780,000
Interest rates	2.25%	2.00% to 4.00%
Maturity dates, serially beginning/ending	December 1, 2021	December 1, 2021/2028
Interest payment dates	December 1/June 1	December 1/June 1
Callable dates*	December 1, 2020	December 1, 2021
		<b>Refunding Series 2020</b>
Amount outstanding, August 31, 2021		\$6,230,000
Interest rates		3.00%
Maturity dates, serially beginning/ending		December 1, 2021/2026
Interest payment dates		December 1/June 1
Callable date*		N/A

\*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

**Annual Debt Service Requirements**

The schedule that follows shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2021.

**Harris County Municipal Utility District No. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

Year	Principal	Interest	Total
2022	\$ 1,750,000	\$ 273,106	\$ 2,023,106
2023	1,770,000	222,938	1,992,938
2024	1,630,000	170,963	1,800,963
2025	1,410,000	123,900	1,533,900
2026	1,400,000	79,813	1,479,813
2027-2029	<u>1,615,000</u>	<u>82,575</u>	<u>1,697,575</u>
Total	<u>\$ 9,575,000</u>	<u>\$ 953,295</u>	<u>\$ 10,528,295</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted	\$ 45,000,000
Bonds sold	31,285,000
Refunding bonds voted	45,000,000
Refunding bond authorization used	1,897,512

**Note 5: Significant Bond Order and Commission Requirements**

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2021, the District levied an ad valorem debt service tax at the rate of \$0.3000 per \$100 of assessed valuation, which resulted in a tax levy of \$1,889,974 on the taxable valuation of \$629,991,096 for the 2020 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$2,046,238, of which \$148,119 has been paid and \$1,898,119 is due December 1, 2021.

**Note 6: Maintenance Taxes**

At an election held November 2, 1999, 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, 2021, the District levied an ad valorem maintenance tax at the rate of \$0.0400 per \$100 of assessed valuation, which resulted in a tax levy of \$251,996 on the taxable valuation of \$629,991,096 for the 2020 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. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

**Note 7: Waste Disposal Agreement**

On April 3, 2000, the District and AquaSource, L.P., now known as Aqua Texas, Inc., entered into an agreement for the construction and operation of joint wastewater treatment facilities. Under the terms of the agreement, the parties shared construction costs on capacity acquired. The District has acquired 475,000 gallons per day of capacity in the facilities. During the current year, the District incurred operating costs of \$96,123 related to the agreement.

**Note 8: Regional Water Authority**

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority). The Authority was created by the Texas Legislature to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of August 31, 2021, the Authority was billing the District \$3.45 per 1,000 gallons of water pumped from its wells and \$3.85 per 1,000 gallons for purchased surface water. These amounts are subject to future increases.

**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 for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

**Note 10: Refunding Bonds**

On September 10, 2020, the District issued \$6,230,000 in unlimited tax refunding bonds, Series 2020, to refund \$2,790,000 of its outstanding Series 2010 refunding bonds and \$3,640,000 of its outstanding Series 2012 refunding bonds. The District refunded the bonds to reduce total debt service payments over future years by \$453,943 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new) of \$428,520.

**Note 11: Subsequent Event**

On September 14, 2021, the District issued \$2,470,000 in unlimited tax refunding bonds, Series 2021, to refund \$2,580,000 of its outstanding Series 2013 refunding bonds. The District refunded the bonds to reduce total debt service payments over future years by \$193,744 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new) of \$180,674.

**Harris County Municipal Utility District No. 370**  
**Notes to Financial Statements**  
**August 31, 2021**

**Note 12: Contingencies**

A developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction amounts are approximately \$5,400,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

**Note 13: Uncertainties**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## **Required Supplementary Information**

**Harris County Municipal Utility District No. 370**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended August 31, 2021**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 252,255	\$ 250,712	\$ (1,543)
Water service	430,900	402,116	(28,784)
Sewer service	598,900	597,769	(1,131)
Regional water fee	783,900	743,738	(40,162)
Penalty and interest	34,600	39,891	5,291
Investment income	51,588	26,540	(25,048)
	<u>2,152,143</u>	<u>2,060,766</u>	<u>(91,377)</u>
<b>Total revenues</b>			
<b>Expenditures</b>			
Service operations:			
Purchased services	873,400	779,000	94,400
Regional water fee	-	103,610	(103,610)
Professional fees	135,000	127,364	7,636
Contracted services	482,506	488,942	(6,436)
Utilities	55,100	39,302	15,798
Repairs and maintenance	602,765	559,036	43,729
Other expenditures	77,150	77,672	(522)
Capital outlay	340,000	290,325	49,675
	<u>2,565,921</u>	<u>2,465,251</u>	<u>100,670</u>
<b>Total expenditures</b>			
<b>Deficiency of Revenues Over Expenditures</b>	(413,778)	(404,485)	9,293
<b>Fund Balance, Beginning of Year</b>	<u>5,097,437</u>	<u>5,097,437</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 4,683,659</u>	<u>\$ 4,692,952</u>	<u>\$ 9,293</u>

**Harris County Municipal Utility District No. 370**  
**Notes to Required Supplementary Information**  
**August 31, 2021**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2021.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

## **Other Information**



**Harris County Municipal Utility District No. 370**  
**Other Schedules Included Within This Report**  
**August 31, 2021**

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 13-26
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years
- [X] Board Members, Key Personnel and Consultants

# Harris County Municipal Utility District No. 370

## Schedule of Services and Rates

### Year Ended August 31, 2021

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers

a. Retail rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 17.50	10,000	N	\$ 1.00	10,001 to 15,000
				\$ 1.30	15,001 to 20,000
				\$ 1.70	20,001 to 30,000
				\$ 2.10	30,001 to No Limit
Wastewater:	\$ 34.07	1	Y		
Regional water fee:	\$ 3.85	1	N	\$ 3.85	1,001 to No Limit

Does the District employ winter averaging for wastewater usage? Yes  No

Total charges per 10,000 gallons usage (including fees): Water \$ 56.00 Wastewater \$ 34.07

b. Water and wastewater retail connections:

<u>Meter Size</u>	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	59	32	x1.0	32
1"	1,481	1,481	x2.5	3,703
1 1/2"	2	2	x5.0	10
2"	-	-	x8.0	-
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,542	1,515		3,745
Total wastewater	1,481	1,455	x1.0	1,455

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	203,140
Gallons billed to customers:	203,586
Water accountability ratio (gallons billed/gallons pumped):	100.22%

\*"ESFC" means equivalent single-family connections

**Harris County Municipal Utility District No. 370**  
**Schedule of General Fund Expenditures**  
**Year Ended August 31, 2021**

<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$	19,800	
Legal		71,020	
Engineering		36,544	
Financial advisor		-	127,364
		<hr/>	
<b>Purchased Services for Resale</b>			
Bulk water and wastewater service purchases			779,000
<b>Regional Water Fee</b>			103,610
<b>Contracted Services</b>			
Bookkeeping		30,969	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		90,912	
Other contracted services		73,128	195,009
		<hr/>	
<b>Utilities</b>			39,302
<b>Repairs and Maintenance</b>			559,036
<b>Administrative Expenditures</b>			
Directors' fees		11,250	
Office supplies		9,000	
Insurance		13,237	
Other administrative expenditures		40,414	73,901
		<hr/>	
<b>Capital Outlay</b>			
Capitalized assets		196,041	
Expenditures not capitalized		94,284	290,325
		<hr/>	
<b>Tap Connection Expenditures</b>			-
<b>Solid Waste Disposal</b>			293,933
<b>Fire Fighting</b>			-
<b>Parks and Recreation</b>			-
<b>Other Expenditures</b>			3,771
			<hr/>
Total expenditures		\$	<u><u>2,465,251</u></u>

**Harris County Municipal Utility District No. 370**  
**Schedule of Temporary Investments**  
**August 31, 2021**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Certificates of Deposit				
No. 5000019785	0.20%	04/15/22	\$ 240,000	\$ 182
No. 91300011934108	0.70%	10/13/21	240,000	1,477
No. 11793	0.50%	01/13/22	240,000	756
No. 440005906	0.30%	03/14/22	240,000	337
No. 316497	0.24%	07/15/22	240,000	74
No. 4189507	0.35%	03/15/22	240,000	389
No. 2000000120	0.25%	02/17/22	240,000	321
No. 12719	0.25%	05/16/22	240,000	176
No. 3216000529	0.25%	02/23/22	240,000	327
No. 30028310	0.35%	02/09/22	240,000	467
No. 320101	0.16%	06/12/22	240,000	84
No. 6000017878	0.40%	08/14/22	240,000	45
No. 6550110874	0.35%	01/12/22	240,000	532
Texas CLASS	0.04%	Demand	1,727,655	-
			<u>4,847,655</u>	<u>5,167</u>
<b>Debt Service Fund</b>				
Certificates of Deposit				
No. 91300011936535	0.70%	11/18/21	240,000	1,316
No. 12322	0.50%	04/30/22	240,000	404
No. 36000968	0.55%	11/24/21	240,000	1,013
No. 9009004487	0.35%	04/30/22	240,000	283
Texas CLASS	0.04%	Demand	1,959,249	-
			<u>2,919,249</u>	<u>3,016</u>
<b>Capital Projects Fund</b>				
Texas CLASS	0.04%	Demand	195,235	0
			<u>195,235</u>	<u>0</u>
Totals			<u>\$ 7,962,139</u>	<u>\$ 8,183</u>

**Harris County Municipal Utility District No. 370**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended August 31, 2021**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 1,710	\$ 12,951
Additions and corrections to prior years' taxes	261	1,923
Adjusted receivable, beginning of year	1,971	14,874
 <b>2020 Original Tax Levy</b>	 239,355	 1,795,166
Additions and corrections	12,641	94,808
Adjusted tax levy	251,996	1,889,974
Total to be accounted for	253,967	1,904,848
Tax collections: Current year	(249,669)	(1,872,518)
Prior years	(1,043)	(7,791)
Receivable, end of year	\$ 3,255	\$ 24,539
 <b>Receivable, by Years</b>		
2020	\$ 2,327	\$ 17,456
2019	270	2,023
2018	111	830
2017	110	830
2016	97	802
2015	97	857
2014	103	877
2013	140	864
Receivable, end of year	\$ 3,255	\$ 24,539

**Harris County Municipal Utility District No. 370**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended August 31, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Property Valuations</b>				
Land	\$ 123,616,184	\$ 120,503,041	\$ 120,661,331	\$ 120,397,314
Improvements	519,124,546	528,341,760	544,967,969	566,171,390
Personal property	5,027,949	4,744,941	4,747,509	2,629,416
Exemptions	<u>(17,777,583)</u>	<u>(16,521,671)</u>	<u>(15,996,080)</u>	<u>(13,862,845)</u>
Total property valuations	<u>\$ 629,991,096</u>	<u>\$ 637,068,071</u>	<u>\$ 654,380,729</u>	<u>\$ 675,335,275</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.3000	\$ 0.3000	\$ 0.3000	\$ 0.3000
Maintenance tax rates*	<u>0.0400</u>	<u>0.0400</u>	<u>0.0400</u>	<u>0.0400</u>
Total tax rates per \$100 valuation	<u>\$ 0.3400</u>	<u>\$ 0.3400</u>	<u>\$ 0.3400</u>	<u>\$ 0.3400</u>
<b>Tax Levy</b>	<u>\$ 2,141,970</u>	<u>\$ 2,165,983</u>	<u>\$ 2,224,894</u>	<u>\$ 2,296,140</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>				
	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

\*Maximum tax rate approved by voters: \$1.50 on November 2, 1999

\*\*Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

**Harris County Municipal Utility District No. 370**  
**Schedule of Long-term Debt Service Requirements by Years**  
**August 31, 2021**

	<b>Refunding Series 2012</b>		
<b>Due During Fiscal Years Ending August 31</b>	<b>Principal Due December 1</b>	<b>Interest Due December 1, June 1</b>	<b>Total</b>
2022	<u>\$ 565,000</u>	<u>\$ 6,356</u>	<u>\$ 571,356</u>

**Harris County Municipal Utility District No. 370**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2021**

<b>Due During Fiscal Years Ending August 31</b>	<b>Refunding Series 2013</b>		
	<b>Principal Due December 1</b>	<b>Interest Due December 1, June 1</b>	<b>Total</b>
2022	\$ 200,000	\$ 94,625	\$ 294,625
2023	195,000	89,213	284,213
2024	195,000	82,388	277,388
2025	390,000	72,150	462,150
2026	385,000	58,588	443,588
2027	480,000	43,450	523,450
2028	470,000	26,825	496,825
2029	465,000	9,300	474,300
Totals	<u>\$ 2,780,000</u>	<u>\$ 476,539</u>	<u>\$ 3,256,539</u>



**Harris County Municipal Utility District No. 370**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2021**

<b>Due During Fiscal Years Ending August 31</b>	<b>Refunding Series 2020</b>		
	<b>Principal Due December 1</b>	<b>Interest Due December 1, June 1</b>	<b>Total</b>
2022	\$ 985,000	\$ 172,125	\$ 1,157,125
2023	1,575,000	133,725	1,708,725
2024	1,435,000	88,575	1,523,575
2025	1,020,000	51,750	1,071,750
2026	1,015,000	21,225	1,036,225
2027	200,000	3,000	203,000
Totals	\$ 6,230,000	\$ 470,400	\$ 6,700,400

**Harris County Municipal Utility District No. 370**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2021**

<b>Due During Fiscal Years Ending August 31</b>	<b>Annual Requirements For All Series</b>		
	<b>Total Principal Due</b>	<b>Total Interest Due</b>	<b>Total Principal and Interest Due</b>
2022	\$ 1,750,000	\$ 273,106	\$ 2,023,106
2023	1,770,000	222,938	1,992,938
2024	1,630,000	170,963	1,800,963
2025	1,410,000	123,900	1,533,900
2026	1,400,000	79,813	1,479,813
2027	680,000	46,450	726,450
2028	470,000	26,825	496,825
2029	465,000	9,300	474,300
Totals	\$ 9,575,000	\$ 953,295	\$ 10,528,295

**Harris County Municipal Utility District No. 370**  
**Changes in Long-term Bonded Debt**  
**Year Ended August 31, 2021**

	<b>Bond Issues</b>				<b>Totals</b>
	<b>Refunding Series 2010</b>	<b>Refunding Series 2012</b>	<b>Refunding Series 2013</b>	<b>Refunding Series 2020</b>	
Interest rates	3.70% to 4.00%	2.25%	2.00% to 4.00%	3.00%	
Dates interest payable	December 1/ June 1	December 1/ June 1	December 1/ June 1	December 1/ June 1	
Maturity dates		December 1, 2021	December 1, 2021/2028	December 1, 2021/2026	
Bonds outstanding, beginning of current year	\$ 3,725,000	\$ 4,785,000	\$ 2,985,000	\$ -	\$ 11,495,000
Bonds sold during current year	-	-	-	6,230,000	6,230,000
Bonds refunded during current year	2,790,000	3,640,000	-	-	6,430,000
Retirements, principal	935,000	580,000	205,000	-	1,720,000
Bonds outstanding, end of current year	<u>\$ 0</u>	<u>\$ 565,000</u>	<u>\$ 2,780,000</u>	<u>\$ 6,230,000</u>	<u>\$ 9,575,000</u>
Interest paid during current year	<u>\$ 17,298</u>	<u>\$ 18,513</u>	<u>\$ 98,675</u>	<u>\$ 140,175</u>	<u>\$ 274,661</u>

Paying agent's name and address:

**Series 2010** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

**Series 2012** - Wells Fargo Bank, N.A., Dallas, Texas

**Series 2013** - Wells Fargo Bank, N.A., Dallas, Texas

**Series 2020** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 45,000,000	0	\$ 45,000,000
Amount issued	\$ 31,285,000	0	\$ 1,897,512
Remaining to be issued	<u>\$ 13,715,000</u>	<u>0</u>	<u>\$ 43,102,488</u>

Debt service fund cash and temporary investment balances as of August 31, 2021: \$ 2,980,192

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,316,037

**Harris County Municipal Utility District No. 370**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended August 31,**

	Amounts				
	2021	2020	2019	2018	2017
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 250,712	\$ 255,230	\$ 263,262	\$ 268,204	\$ 248,926
Water service	402,116	420,316	400,794	700,529	1,221,211
Sewer service	597,769	592,401	590,707	612,399	580,800
Regional water fee	743,738	752,494	637,952	528,533	-
Penalty and interest	39,891	21,579	37,994	34,826	34,718
Investment income	26,540	101,903	99,363	53,346	28,830
Total revenues	<u>2,060,766</u>	<u>2,143,923</u>	<u>2,030,072</u>	<u>2,197,837</u>	<u>2,114,485</u>
<b>Expenditures</b>					
Service operations:					
Purchased services	779,000	459,549	503,298	640,785	641,420
Regional water fee	103,610	380,124	232,384	177,717	86,194
Professional fees	127,364	117,121	121,001	135,641	106,965
Contracted services	488,942	472,371	501,255	503,448	490,059
Utilities	39,302	57,365	49,636	53,570	45,930
Repairs and maintenance	559,036	511,329	476,556	510,685	372,299
Other expenditures	77,672	74,654	83,358	77,619	66,864
Capital outlay	290,325	25,595	43,343	21,375	33,523
Total expenditures	<u>2,465,251</u>	<u>2,098,108</u>	<u>2,010,831</u>	<u>2,120,840</u>	<u>1,843,254</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(404,485)	45,815	19,241	76,997	271,231
<b>Fund Balance, Beginning of Year</b>	<u>5,097,437</u>	<u>5,051,622</u>	<u>5,032,381</u>	<u>4,955,384</u>	<u>4,684,153</u>
<b>Fund Balance, End of Year</b>	<u>\$ 4,692,952</u>	<u>\$ 5,097,437</u>	<u>\$ 5,051,622</u>	<u>\$ 5,032,381</u>	<u>\$ 4,955,384</u>
<b>Total Active Retail Water Connections</b>	<u>1,515</u>	<u>1,540</u>	<u>1,538</u>	<u>1,537</u>	<u>1,538</u>
<b>Total Active Retail Wastewater Connections</b>	<u>1,455</u>	<u>1,481</u>	<u>1,479</u>	<u>1,480</u>	<u>1,481</u>

**Percent of Fund Total Revenues**

2021	2020	2019	2018	2017
12.2 %	11.9 %	13.0 %	12.2 %	11.8 %
19.5	19.6	19.7	31.9	57.8
29.0	27.6	29.1	27.9	27.4
36.1	35.1	31.4	24	-
1.9	1.0	1.9	1.6	1.6
1.3	4.8	4.9	2.4	1.4
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
37.8	21.4	24.8	29.2	30.3
5.0	17.7	11.5	8.1	4.1
6.2	5.5	6.0	6.2	5.0
23.7	22.0	24.7	22.9	23.2
1.9	2.7	2.4	2.4	2.2
27.1	23.9	23.5	23.2	17.6
3.8	3.5	4.1	3.5	3.2
14.1	1.2	2.1	1.0	1.6
<u>119.6</u>	<u>97.9</u>	<u>99.1</u>	<u>96.5</u>	<u>87.2</u>
<u><u>(19.6) %</u></u>	<u><u>2.1 %</u></u>	<u><u>0.9 %</u></u>	<u><u>3.5 %</u></u>	<u><u>12.8 %</u></u>

**Harris County Municipal Utility District No. 370**  
**Comparative Schedule of Revenues and Expenditures – Debt Service Fund**  
**Five Years Ended August 31,**

	Amounts				
	2021	2020	2019	2018	2017
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,880,309	\$ 1,914,225	\$ 1,974,024	\$ 2,011,935	\$ 2,062,889
Penalty and interest	13,791	10,999	21,264	10,418	14,149
Investment income	9,988	45,204	68,195	39,502	19,963
Other income	43	102	108	52	23
Total revenues	<u>1,904,131</u>	<u>1,970,530</u>	<u>2,063,591</u>	<u>2,061,907</u>	<u>2,097,024</u>
<b>Expenditures</b>					
Current:					
Professional fees	2,527	2,965	4,727	5,197	860
Contracted services	42,289	42,376	42,503	41,291	40,336
Other expenditures	8,733	7,289	7,201	5,590	5,402
Debt service:					
Principal retirement	1,720,000	1,690,000	1,660,000	1,645,000	1,595,000
Interest and fees	271,838	442,945	493,193	538,720	580,033
Debt issuance costs	220,729	6,830	-	-	-
Debt defeasance	55,000	-	-	-	-
Total expenditures	<u>2,321,116</u>	<u>2,192,405</u>	<u>2,207,624</u>	<u>2,235,798</u>	<u>2,221,631</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(416,985)</u>	<u>(221,875)</u>	<u>(144,033)</u>	<u>(173,891)</u>	<u>(124,607)</u>
<b>Other Financing Sources (Uses)</b>					
General obligation bonds issued	6,230,000	-	-	-	-
Premium on debt issued	477,707	-	-	-	-
Payments with escrow agent	(6,478,499)	-	-	-	-
Total other financing sources	<u>229,208</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(187,777)</u>	<u>(221,875)</u>	<u>(144,033)</u>	<u>(173,891)</u>	<u>(124,607)</u>
<b>Fund Balance, Beginning of Year</b>	<u>3,165,227</u>	<u>3,387,102</u>	<u>3,531,135</u>	<u>3,705,026</u>	<u>3,829,633</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,977,450</u>	<u>\$ 3,165,227</u>	<u>\$ 3,387,102</u>	<u>\$ 3,531,135</u>	<u>\$ 3,705,026</u>

**Percent of Fund Total Revenues**

<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
98.8 %	97.1 %	95.7 %	97.6 %	98.4 %
0.7	0.6	1.0	0.5	0.6
0.5	2.3	3.3	1.9	1.0
<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.1	0.2	0.2	0.2	0.0
2.2	2.2	2.1	2.0	1.9
0.5	0.4	0.4	0.3	0.2
90.3	85.6	80.4	79.8	76.1
14.3	22.5	23.9	26.1	27.7
11.6	0.3	-	-	-
<u>2.9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>121.9</u>	<u>111.2</u>	<u>107.0</u>	<u>108.4</u>	<u>105.9</u>
<u>(21.9) %</u>	<u>(11.2) %</u>	<u>(7.0) %</u>	<u>(8.4) %</u>	<u>(5.9) %</u>

**Harris County Municipal Utility District No. 370**  
**Board Members, Key Personnel and Consultants**  
**Year Ended August 31, 2021**

Complete District mailing address:	Harris County Municipal Utility District No. 370 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	July 22, 2020
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Steven Reyenga	Elected 05/18- 05/22	\$ 2,100	\$ 0	President
Harold Cobb	Elected 05/18- 05/22	1,800	0	Vice President
Mike Ecklund	Elected 05/20- 05/24	3,750	1,177	Secretary
Linda Myers	Elected 05/20- 05/24	1,800	0	Assistant Secretary
Emily Pruiett	Appointed 05/18- 05/22	1,800	8	Assistant Secretary

\*Fees are the amounts actually paid to a director during the District's fiscal year.



**Harris County Municipal Utility District No. 370**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended August 31, 2021**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
B&A Municipal Tax Service, LLC	10/01/11	\$ 39,487	Tax Assessor/ Collector
BKD, LLP	08/14/00	22,300	Auditor
Benchmark Engineering Corporation	01/10/00	107,629	Engineer
Harris County Appraisal District	Legislative Action	15,646	Appraiser
Masterson Advisors LLC	05/14/18	64,853	Financial Advisor
Municipal Accounts & Consulting, L.P.	04/14/03	34,779	Bookkeeper
Schwartz, Page & Harding, L.L.P.	09/08/99	113,980 51,346	General Counsel Bond Counsel
TNG Utility Corp.	06/01/12	616,753	Operator
Ted A. Cox, P.C.	04/14/03	2,527	Delinquent Tax Attorney
<b>Investment Officers</b>			
Mark. M. Burton and Ghia Lewis	07/12/04	N/A	Bookkeepers