

Harris County Municipal Utility District No. 370

Harris County, Texas

Independent Auditor's Report and Financial Statements

August 31, 2019



Harris County Municipal Utility District No. 370
August 31, 2019

Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
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.....	12
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	25
Notes to Required Supplementary Information	26
Other Information	
Other Schedules Included Within This Report	27
Schedule of Services and Rates	28
Schedule of General Fund Expenditures.....	29
Schedule of Temporary Investments	30
Analysis of Taxes Levied and Receivable	32
Schedule of Long-term Debt Service Requirements by Years	34
Changes in Long-term Bonded Debt	38
Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years.....	39
Board Members, Key Personnel and Consultants.....	41

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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, 2019, 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 7, 2020

Harris County Municipal Utility District No. 370

Management's Discussion and Analysis

August 31, 2019

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, 2019

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, 2019

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

	2019	2018
Current and other assets	\$ 9,252,873	\$ 9,444,692
Capital assets	16,299,093	16,682,366
Total assets	25,551,966	26,127,058
Deferred outflows of resources	471,830	539,353
Total assets and deferred outflows of resources	\$ 26,023,796	\$ 26,666,411
Long-term liabilities	\$ 13,628,946	\$ 15,706,334
Other liabilities	427,258	514,106
Total liabilities	14,056,204	16,220,440
Net position:		
Net investment in capital assets	3,337,586	1,713,941
Restricted	3,576,339	3,696,673
Unrestricted	5,053,667	5,035,357
Total net position	\$ 11,967,592	\$ 10,445,971

The total net position of the District increased by \$1,521,621, or about 15 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, 2019

Summary of Changes in Net Position

	2019	2018
Revenues:		
Property taxes	\$ 2,229,252	\$ 2,295,770
Charges for services	1,629,453	1,841,461
Other revenues	617,019	143,447
Total revenues	4,475,724	4,280,678
Expenses:		
Services	2,024,866	2,173,813
Depreciation	426,616	422,282
Debt service	502,621	548,368
Total expenses	2,954,103	3,144,463
Change in net position	1,521,621	1,136,215
Net position, beginning of year	10,445,971	9,309,756
Net position, end of year	\$ 11,967,592	\$ 10,445,971

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2019, were \$8,917,673, a decrease of \$116,174 from the prior year.

The general fund's fund balance increased by \$19,241, primarily due to property taxes and service revenues in excess of service operations expenditures.

The debt service fund's fund balance decreased by \$144,033, primarily because bond principal and interest requirements exceeded property tax revenues generated.

The capital projects fund's fund balance increased by \$8,618 due to investment income exceeding capital outlay expenditures.

Harris County Municipal Utility District No. 370
Management's Discussion and Analysis (Continued)
August 31, 2019

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 water service and regional water fee revenues and purchased services and other expenditures being less than anticipated. In addition, investment income and regional water fee expenditures were greater than anticipated. The fund balance as of August 31, 2019, was expected to be \$5,034,690 and the actual end-of-year fund balance was \$5,051,622.

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)

	2019	2018
Land and improvements	\$ 6,381,548	\$ 6,381,548
Water facilities	2,331,668	2,425,135
Wastewater facilities	3,715,136	3,860,649
Drainage facilities	3,870,741	4,015,034
Total capital assets	\$ 16,299,093	\$ 16,682,366

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

Fence at the water plant	\$ 43,343
--------------------------	-----------

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2019, are summarized as follows:

Long-term debt payable, beginning of year	\$ 15,706,334
Decreases in long-term debt	(2,077,388)
Long-term debt payable, end of year	\$ 13,628,946

Harris County Municipal Utility District No. 370
Management's Discussion and Analysis (Continued)
August 31, 2019

At August 31, 2019, 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 2010 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Corp. and the Series 2012 and 2013 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

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.

Harris County Municipal Utility District No. 370
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 185,911	\$ 58,996	\$ 148	\$ 245,055	\$ -	\$ 245,055
Certificates of deposit	4,320,000	1,440,000	-	5,760,000	-	5,760,000
Short-term investments	594,971	1,872,148	478,801	2,945,920	-	2,945,920
Receivables:						
Property taxes	2,045	15,499	-	17,544	-	17,544
Service accounts	184,265	-	-	184,265	-	184,265
Accrued penalty and interest	-	-	-	-	7,230	7,230
Accrued interest	74,903	17,956	-	92,859	-	92,859
Interfund receivable	162	-	-	162	(162)	-
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	6,381,548	6,381,548
Infrastructure	-	-	-	-	9,917,545	9,917,545
Total assets	<u>5,362,257</u>	<u>3,404,599</u>	<u>478,949</u>	<u>9,245,805</u>	<u>16,306,161</u>	<u>25,551,966</u>
Deferred Outflows of Resources						
Deferred amount on debt refundings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>471,830</u>	<u>471,830</u>
Total assets and deferred outflows of resources	<u>\$ 5,362,257</u>	<u>\$ 3,404,599</u>	<u>\$ 478,949</u>	<u>\$ 9,245,805</u>	<u>\$ 16,777,991</u>	<u>\$ 26,023,796</u>

Harris County Municipal Utility District No. 370
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
August 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 173,308	\$ 1,836	\$ -	\$ 175,144	\$ -	\$ 175,144
Accrued interest payable	-	-	-	-	116,832	116,832
Customer deposits	112,980	-	-	112,980	-	112,980
Due to others	22,302	-	-	22,302	-	22,302
Interfund payable	-	162	-	162	(162)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,690,000	1,690,000
Due after one year	-	-	-	-	11,938,946	11,938,946
Total liabilities	308,590	1,998	0	310,588	13,745,616	14,056,204
Deferred Inflows of Resources						
Deferred property tax revenues	2,045	15,499	0	17,544	(17,544)	0
Fund Balances/Net Position						
Fund balances:						
Restricted:						
Unlimited tax bonds	-	3,387,102	-	3,387,102	(3,387,102)	-
Water, sewer and drainage	-	-	478,949	478,949	(478,949)	-
Assigned, future expenditures	46,761	-	-	46,761	(46,761)	-
Unassigned	5,004,861	-	-	5,004,861	(5,004,861)	-
Total fund balances	5,051,622	3,387,102	478,949	8,917,673	(8,917,673)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 5,362,257	\$ 3,404,599	\$ 478,949	\$ 9,245,805		
Net position:						
Net investment in capital assets					3,337,586	3,337,586
Restricted for debt service					3,292,999	3,292,999
Restricted for capital projects					283,340	283,340
Unrestricted					5,053,667	5,053,667
Total net position					\$ 11,967,592	\$ 11,967,592

Harris County Municipal Utility District No. 370
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended August 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 263,262	\$ 1,974,024	\$ -	\$ 2,237,286	\$ (8,034)	\$ 2,229,252
Water service	400,794	-	-	400,794	-	400,794
Sewer service	590,707	-	-	590,707	-	590,707
Regional water fee	637,952	-	-	637,952	-	637,952
Penalty and interest	37,994	21,264	-	59,258	7,230	66,488
Investment income	99,363	68,195	11,565	179,123	-	179,123
Other income	-	108	-	108	371,300	371,408
	<u>2,030,072</u>	<u>2,063,591</u>	<u>11,565</u>	<u>4,105,228</u>	<u>370,496</u>	<u>4,475,724</u>
Total revenues						
Expenditures/Expenses						
Service operations:						
Purchased services	503,298	-	-	503,298	-	503,298
Regional water fee	232,384	-	-	232,384	-	232,384
Professional fees	121,001	4,727	-	125,728	2,922	128,650
Contracted services	501,255	42,503	-	543,758	25	543,783
Utilities	49,636	-	-	49,636	-	49,636
Repairs and maintenance	476,556	-	-	476,556	-	476,556
Other expenditures	83,358	7,201	-	90,559	-	90,559
Capital outlay	43,343	-	2,947	46,290	(46,290)	-
Depreciation	-	-	-	-	426,616	426,616
Debt service:						
Principal retirement	-	1,660,000	-	1,660,000	(1,660,000)	-
Interest and fees	-	493,193	-	493,193	9,428	502,621
	<u>2,010,831</u>	<u>2,207,624</u>	<u>2,947</u>	<u>4,221,402</u>	<u>(1,267,299)</u>	<u>2,954,103</u>
Total expenditures/expenses						
Excess (Deficiency) of Revenues Over Expenditures	19,241	(144,033)	8,618	(116,174)	116,174	
Change in Net Position					1,521,621	1,521,621
Fund Balances/Net Position						
Beginning of year	<u>5,032,381</u>	<u>3,531,135</u>	<u>470,331</u>	<u>9,033,847</u>	-	<u>10,445,971</u>
End of year	<u>\$ 5,051,622</u>	<u>\$ 3,387,102</u>	<u>\$ 478,949</u>	<u>\$ 8,917,673</u>	<u>\$ 0</u>	<u>\$ 11,967,592</u>

Harris County Municipal Utility District No. 370

Notes to Financial Statements

August 31, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019, include collections during the current period or within 60 days of year-end related to the 2018 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, 2019, the 2018 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:

	Years
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, 2019

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.	\$ 16,299,093
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	17,544
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	7,230
Deferred amount of debt refundings for governmental activities are not financial resources and are not reported in the funds.	471,830

Harris County Municipal Utility District No. 370
Notes to Financial Statements
August 31, 2019

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	\$ (116,832)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(13,628,946)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ 3,049,919</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.	\$ (116,174)
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 depreciation and noncapitalized costs exceeded capital outlay expenditures in the current year.	(383,273)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	1,660,000
Revenues that do not provide current financial resources are not reported as revenues for the funds, but were reported as revenues in the statement of activities.	370,496
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>(9,428)</u>
Change in net position of governmental activities.	<u>\$ 1,521,621</u>

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.

Harris County Municipal Utility District No. 370
Notes to Financial Statements
August 31, 2019

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, 2019, 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, 2019, the District had the following investments and maturities:

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 2,945,920	\$ 2,945,920	\$ 0	\$ 0	\$ 0

Harris County Municipal Utility District No. 370
Notes to Financial Statements
August 31, 2019

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, 2019, 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, 2019, as follows:

Carrying value:		
Deposits	\$	6,005,055
Investments		2,945,920
Total	\$	8,950,975

Included in the following statement of net position captions:

Cash	\$	245,055
Certificates of deposit		5,760,000
Short-term investments		2,945,920
Total	\$	8,950,975

Investment Income

Investment income of \$179,123 for the year ended August 31, 2019, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of August 31, 2019:

- Pooled investments of \$2,945,920 are valued at fair value per share of the pool's underlying portfolio.

Harris County Municipal Utility District No. 370
Notes to Financial Statements
August 31, 2019

Note 3: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2019, is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 6,381,548	\$ 0	\$ 6,381,548
Capital assets, depreciable:			
Water production and distribution facilities	4,847,655	43,343	4,890,998
Wastewater collection and treatment facilities	6,454,937	-	6,454,937
Drainage facilities	6,489,656	-	6,489,656
Total capital assets, depreciable	<u>17,792,248</u>	<u>43,343</u>	<u>17,835,591</u>
Less accumulated depreciation:			
Water production and distribution facilities	(2,422,520)	(136,810)	(2,559,330)
Wastewater collection and treatment facilities	(2,594,288)	(145,513)	(2,739,801)
Drainage facilities	(2,474,622)	(144,293)	(2,618,915)
Total accumulated depreciation	<u>(7,491,430)</u>	<u>(426,616)</u>	<u>(7,918,046)</u>
Total governmental activities, net	<u>\$ 16,682,366</u>	<u>\$ (383,273)</u>	<u>\$ 16,299,093</u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended August 31, 2019, were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 14,845,000	\$ 1,660,000	\$ 13,185,000	\$ 1,690,000
Add premiums on bonds	490,034	46,088	443,946	-
	15,335,034	1,706,088	13,628,946	1,690,000
Due to developers	<u>371,300</u>	<u>371,300</u>	<u>-</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 15,706,334</u>	<u>\$ 2,077,388</u>	<u>\$ 13,628,946</u>	<u>\$ 1,690,000</u>

Harris County Municipal Utility District No. 370
Notes to Financial Statements
August 31, 2019

General Obligation Bonds

	Refunding Series 2010	Refunding Series 2012
	<hr/>	<hr/>
Amounts outstanding, August 31, 2019	\$4,615,000	\$5,375,000
Interest rates	3.60% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	December 1, 2019/2023	December 1, 2019/2026
Interest payment dates	December 1/June 1	December 1/June 1
Callable dates*	December 1, 2019	December 1, 2020
		Refunding Series 2013
		<hr/>
Amount outstanding, August 31, 2019		\$3,195,000
Interest rates		2.00% to 4.00%
Maturity dates, serially beginning/ending		December 1, 2019/2028
Interest payment dates		December 1/June 1
Callable date*		December 1, 2021

*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, 2019.

Year	Principal	Interest	Total
	<hr/>	<hr/>	<hr/>
2020	\$ 1,690,000	\$ 441,095	\$ 2,131,095
2021	1,720,000	389,716	2,109,716
2022	1,750,000	337,496	2,087,496
2023	1,780,000	275,313	2,055,313
2024	1,660,000	207,488	1,867,488
2025-2029	<hr/> 4,585,000	<hr/> 322,213	<hr/> 4,907,213
Total	<hr/> \$ 13,185,000	<hr/> \$ 1,973,321	<hr/> \$ 15,158,321

Harris County Municipal Utility District No. 370
Notes to Financial Statements
August 31, 2019

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, 2019, 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 \$1,963,142 on the taxable valuation of \$654,380,729 for the 2018 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$2,157,328, of which \$233,664 has been paid and \$1,923,664 is due December 1, 2019.

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, 2019, 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 \$261,752 on the taxable valuation of \$654,380,729 for the 2018 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Waste Disposal Agreement

On April 3, 2000, the District and AquaSource, L.P., now known as Aqua Utilities, 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 \$81,351 related to the agreement.

Harris County Municipal Utility District No. 370

Notes to Financial Statements

August 31, 2019

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, 2019, the Authority was billing the District \$2.95 per 1,000 gallons of water pumped from its wells and \$3.35 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.

Required Supplementary Information

Harris County Municipal Utility District No. 370
Budgetary Comparison Schedule – General Fund
Year Ended August 31, 2019

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 264,731	\$ 263,262	\$ (1,469)
Water service	451,400	400,794	(50,606)
Sewer service	628,800	590,707	(38,093)
Regional water fee	765,400	637,952	(127,448)
Penalty and interest	35,800	37,994	2,194
Investment income	36,605	99,363	62,758
	<u>2,182,736</u>	<u>2,030,072</u>	<u>(152,664)</u>
Total revenues			
Expenditures			
Service operations:			
Purchased services	854,700	503,298	351,402
Regional water fee	-	232,384	(232,384)
Professional fees	141,100	121,001	20,099
Contracted services	517,044	501,255	15,789
Utilities	52,700	49,636	3,064
Repairs and maintenance	467,483	476,556	(9,073)
Other expenditures	127,400	83,358	44,042
Capital outlay	20,000	43,343	(23,343)
	<u>2,180,427</u>	<u>2,010,831</u>	<u>169,596</u>
Total expenditures			
Excess of Revenues Over Expenditures	2,309	19,241	16,932
Fund Balance, Beginning of Year	<u>5,032,381</u>	<u>5,032,381</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,034,690</u>	<u>\$ 5,051,622</u>	<u>\$ 16,932</u>

Harris County Municipal Utility District No. 370
Notes to Required Supplementary Information
August 31, 2019

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 2019.

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, 2019

(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 12-24
- [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, 2019

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):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
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:	\$ 33.28	1	Y		
Regional water fee:	\$ 3.35	1	N	\$ 3.35	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 \$ 51.00 Wastewater \$ 33.28

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	61	61	x1.0	61
1"	1,476	1,475	x2.5	3,688
1 1/2"	-	-	x5.0	-
2"	2	2	x8.0	16
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,539	1,538		3,765
Total wastewater	1,480	1,479	x1.0	1,479

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

Gallons pumped into the system:	235,915
Gallons billed to customers:	226,204
Water accountability ratio (gallons billed/gallons pumped):	95.88%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 370
Schedule of General Fund Expenditures
Year Ended August 31, 2019

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 19,300	
Legal	68,314	
Engineering	33,387	
Financial advisor	-	121,001
Purchased Services for Resale		
Bulk water and wastewater service purchases		503,298
Regional Water Fee		232,384
Contracted Services		
Bookkeeping	28,033	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	88,800	
Other contracted services	74,500	191,333
Utilities		49,636
Repairs and Maintenance		476,556
Administrative Expenditures		
Directors' fees	10,050	
Office supplies	11,554	
Insurance	14,666	
Other administrative expenditures	43,317	79,587
Capital Outlay		
Capitalized assets	43,343	
Expenditures not capitalized	-	43,343
Tap Connection Expenditures		-
Solid Waste Disposal		309,922
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		3,771
Total expenditures		<u><u>\$ 2,010,831</u></u>

Harris County Municipal Utility District No. 370
Schedule of Temporary Investments
August 31, 2019

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 5030945	1.00%	11/15/19	\$ 240,000	\$ 3,307
No. 100141651	1.65%	10/15/19	240,000	5,794
No. 6742705321	2.50%	07/14/20	240,000	773
No. 6750967882	2.80%	04/15/20	240,000	5,892
No. 610	2.85%	06/14/20	240,000	4,872
No. 83195982	1.35%	09/16/19	240,000	4,988
No. 6600538	2.50%	02/14/20	240,000	5,868
No. 71123723	2.60%	05/14/20	240,000	1,846
No. 11793	2.50%	01/14/20	240,000	6,789
No. 440005906	2.70%	03/13/20	240,000	3,018
No. 316497	2.86%	07/15/20	240,000	4,288
No. 4189507	2.53%	03/15/20	240,000	5,822
No. 460019000	2.65%	04/15/20	240,000	2,405
No. 137246216	2.39%	12/27/19	240,000	6,757
No. 12719	2.55%	05/16/20	240,000	4,829
No. 3216000305	2.40%	02/15/20	240,000	6,013
No. 6000017878	2.60%	08/14/20	240,000	274
No. 6550101298	2.60%	06/12/20	240,000	1,368
Texas CLASS	2.25%	Demand	594,971	-
			4,914,971	74,903

Harris County Municipal Utility District No. 370
Schedule of Temporary Investments (Continued)
August 31, 2019

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
Debt Service Fund				
Certificates of Deposit				
No. 91300011873562	2.45%	11/19/19	\$ 240,000	\$ 3,560
No. 83215467	2.65%	11/23/19	240,000	4,896
No. 12322	2.65%	04/30/20	240,000	2,109
No. 4190602	2.65%	05/19/20	240,000	1,795
No. 6000030277	2.40%	11/18/19	240,000	3,488
No. 9009004487	2.65%	05/01/20	240,000	2,108
Texas CLASS	2.25%	Demand	<u>1,872,148</u>	<u>-</u>
			<u>3,312,148</u>	<u>17,956</u>
Capital Projects Fund				
Texas CLASS	2.25%	Demand	<u>478,801</u>	<u>0</u>
Totals			<u>\$ 8,705,920</u>	<u>\$ 92,859</u>

Harris County Municipal Utility District No. 370
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2019

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 2,976	\$ 22,602
Additions and corrections to prior years' taxes	579	3,779
Adjusted receivable, beginning of year	3,555	26,381
 2018 Original Tax Levy	 260,381	 1,952,856
Additions and corrections	1,371	10,286
Adjusted tax levy	261,752	1,963,142
Total to be accounted for	265,307	1,989,523
Tax collections: Current year	(260,284)	(1,952,130)
Prior years	(2,978)	(21,894)
Receivable, end of year	\$ 2,045	\$ 15,499
 Receivable, by Years		
2018	\$ 1,468	\$ 11,012
2017	134	1,013
2016	105	875
2015	96	857
2014	103	877
2013	139	865
Receivable, end of year	\$ 2,045	\$ 15,499

Harris County Municipal Utility District No. 370
Analysis of Taxes Levied and Receivable (Continued)
Year Ended August 31, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Property Valuations				
Land	\$ 120,661,331	\$ 120,397,314	\$ 120,690,615	\$ 120,347,359
Improvements	544,967,969	566,171,390	601,294,668	575,740,231
Personal property	4,747,509	2,629,416	5,347,438	9,266,561
Exemptions	<u>(15,996,080)</u>	<u>(13,862,845)</u>	<u>(16,456,605)</u>	<u>(20,476,730)</u>
Total property valuations	<u>\$ 654,380,729</u>	<u>\$ 675,335,275</u>	<u>\$ 710,876,116</u>	<u>\$ 684,877,421</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.3000	\$ 0.3000	\$ 0.2900	\$ 0.3100
Maintenance tax rates*	<u>0.0400</u>	<u>0.0400</u>	<u>0.0350</u>	<u>0.0350</u>
Total tax rates per \$100 valuation	<u>\$ 0.3400</u>	<u>\$ 0.3400</u>	<u>\$ 0.3250</u>	<u>\$ 0.3450</u>
Tax Levy	<u>\$ 2,224,894</u>	<u>\$ 2,296,140</u>	<u>\$ 2,310,347</u>	<u>\$ 2,362,720</u>
Percent of Taxes Collected to Taxes Levied**	<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, 2019

Due During Fiscal Years Ending August 31	Refunding Series 2010		
	Principal Due December 1	Interest Due December 1, June 1	Total
2020	\$ 890,000	\$ 160,245	\$ 1,050,245
2021	935,000	126,928	1,061,928
2022	985,000	90,915	1,075,915
2023	1,035,000	51,500	1,086,500
2024	770,000	15,400	785,400
Totals	\$ 4,615,000	\$ 444,988	\$ 5,059,988

Harris County Municipal Utility District No. 370
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2019

Due During Fiscal Years Ending August 31	Refunding Series 2012		
	Principal Due December 1	Interest Due December 1, June 1	Total
2020	\$ 590,000	\$ 178,025	\$ 768,025
2021	580,000	164,113	744,113
2022	565,000	151,956	716,956
2023	550,000	134,600	684,600
2024	695,000	109,700	804,700
2025	1,060,000	74,600	1,134,600
2026	1,070,000	32,000	1,102,000
2027	265,000	5,300	270,300
Totals	\$ 5,375,000	\$ 850,294	\$ 6,225,294

Harris County Municipal Utility District No. 370
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2019

Due During Fiscal Years Ending August 31	Refunding Series 2013		
	Principal Due December 1	Interest Due December 1, June 1	Total
2020	\$ 210,000	\$ 102,825	\$ 312,825
2021	205,000	98,675	303,675
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	\$ 3,195,000	\$ 678,039	\$ 3,873,039

Harris County Municipal Utility District No. 370
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2019

Due During Fiscal Years Ending August 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 1,690,000	\$ 441,095	\$ 2,131,095
2021	1,720,000	389,716	2,109,716
2022	1,750,000	337,496	2,087,496
2023	1,780,000	275,313	2,055,313
2024	1,660,000	207,488	1,867,488
2025	1,450,000	146,750	1,596,750
2026	1,455,000	90,588	1,545,588
2027	745,000	48,750	793,750
2028	470,000	26,825	496,825
2029	465,000	9,300	474,300
Totals	\$ 13,185,000	\$ 1,973,321	\$ 15,158,321

Harris County Municipal Utility District No. 370
Changes in Long-term Bonded Debt
Year Ended August 31, 2019

	Bond Issues			Totals
	Refunding Series 2010	Refunding Series 2012	Refunding Series 2013	
Interest rates	3.60% to 4.00%	2.00% to 4.00%	2.00% to 4.00%	
Dates interest payable	December 1/ June 1	December 1/ June 1	December 1/ June 1	
Maturity dates	December 1, 2019/2023	December 1, 2019/2026	December 1, 2019/2028	
Bonds outstanding, beginning of current year	\$ 5,460,000	\$ 5,975,000	\$ 3,410,000	\$ 14,845,000
Retirements, principal	<u>845,000</u>	<u>600,000</u>	<u>215,000</u>	<u>1,660,000</u>
Bonds outstanding, end of current year	<u>\$ 4,615,000</u>	<u>\$ 5,375,000</u>	<u>\$ 3,195,000</u>	<u>\$ 13,185,000</u>
Interest paid during current year	<u>\$ 190,630</u>	<u>\$ 193,638</u>	<u>\$ 107,075</u>	<u>\$ 491,343</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

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 45,000,000	0	\$ 45,000,000
Amount issued	<u>\$ 31,285,000</u>	<u>0</u>	<u>\$ 1,897,512</u>
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, 2019:

\$ 3,371,144

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 1,515,832

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

	Amounts				
	2019	2018	2017	2016	2015
General Fund					
Revenues					
Property taxes	\$ 263,262	\$ 268,204	\$ 248,926	\$ 239,358	\$ 251,412
Water service	400,794	700,529	1,221,211	1,099,203	1,072,806
Sewer service	590,707	612,399	580,800	568,580	535,433
Regional water fee	637,952	528,533	-	-	-
Penalty and interest	37,994	34,826	34,718	35,494	21,595
Tap connection and inspection fees	-	-	-	1,260	3,280
Investment income	99,363	53,346	28,830	19,743	17,571
Sale of capacity	-	-	-	65,000	-
Total revenues	<u>2,030,072</u>	<u>2,197,837</u>	<u>2,114,485</u>	<u>2,028,638</u>	<u>1,902,097</u>
Expenditures					
Service operations:					
Purchased services	503,298	640,785	641,420	554,104	490,394
Regional water fee	232,384	177,717	86,194	58,949	28,614
Professional fees	121,001	135,641	106,965	155,322	110,530
Contracted services	501,255	503,448	490,059	474,094	468,371
Utilities	49,636	53,570	45,930	51,532	54,309
Repairs and maintenance	476,556	510,685	372,299	499,287	270,783
Other expenditures	83,358	77,619	66,864	67,466	66,976
Tap connections	-	-	-	350	1,050
Capital outlay	43,343	21,375	33,523	-	36,070
Total expenditures	<u>2,010,831</u>	<u>2,120,840</u>	<u>1,843,254</u>	<u>1,861,104</u>	<u>1,527,097</u>
Excess of Revenues Over Expenditures	19,241	76,997	271,231	167,534	375,000
Fund Balance, Beginning of Year	<u>5,032,381</u>	<u>4,955,384</u>	<u>4,684,153</u>	<u>4,516,619</u>	<u>4,141,619</u>
Fund Balance, End of Year	<u>\$ 5,051,622</u>	<u>\$ 5,032,381</u>	<u>\$ 4,955,384</u>	<u>\$ 4,684,153</u>	<u>\$ 4,516,619</u>
Total Active Retail Water Connections	<u>1,538</u>	<u>1,537</u>	<u>1,538</u>	<u>1,531</u>	<u>1,534</u>
Total Active Retail Wastewater Connections	<u>1,479</u>	<u>1,480</u>	<u>1,481</u>	<u>1,484</u>	<u>1,477</u>

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
13.0 %	12.2 %	11.8 %	11.8 %	13.2 %
19.7	31.9	57.8	54.2	56.4
29.1	27.9	27.4	28.0	28.2
31.4	24	-	-	-
1.9	1.6	1.6	1.7	1.1
-	-	-	0.1	0.2
4.9	2.4	1.4	1.0	0.9
-	-	-	3.2	-
100.0	100.0	100.0	100.0	100.0
24.8	29.2	30.3	27.3	25.8
11.5	8.1	4.1	2.9	1.5
6.0	6.2	5.0	7.7	5.8
24.7	22.9	23.2	23.4	24.6
2.4	2.4	2.2	2.5	2.9
23.5	23.2	17.6	24.6	14.2
4.1	3.5	3.2	3.3	3.5
-	-	-	0.0	0.1
2.1	1.0	1.6	-	1.9
99.1	96.5	87.2	91.7	80.3
0.9 %	3.5 %	12.8 %	8.3 %	19.7 %

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

	Amounts				
	2019	2018	2017	2016	2015
Debt Service Fund					
Revenues					
Property taxes	\$ 1,974,024	\$ 2,011,935	\$ 2,062,889	\$ 2,119,907	\$ 2,135,707
Penalty and interest	21,264	10,418	14,149	13,221	13,799
Investment income	68,195	39,502	19,963	11,372	9,714
Other income	108	52	23	35	105
Total revenues	<u>2,063,591</u>	<u>2,061,907</u>	<u>2,097,024</u>	<u>2,144,535</u>	<u>2,159,325</u>
Expenditures					
Current:					
Professional fees	4,727	5,197	860	1,228	720
Contracted services	42,503	41,291	40,336	41,313	41,831
Other expenditures	7,201	5,590	5,402	5,475	5,559
Debt service:					
Principal retirement	1,660,000	1,645,000	1,595,000	1,570,000	1,550,000
Interest and fees	493,193	538,720	580,033	617,408	651,376
Total expenditures	<u>2,207,624</u>	<u>2,235,798</u>	<u>2,221,631</u>	<u>2,235,424</u>	<u>2,249,486</u>
Deficiency of Revenues Over Expenditures	(144,033)	(173,891)	(124,607)	(90,889)	(90,161)
Fund Balance, Beginning of Year	<u>3,531,135</u>	<u>3,705,026</u>	<u>3,829,633</u>	<u>3,920,522</u>	<u>4,010,683</u>
Fund Balance, End of Year	<u>\$ 3,387,102</u>	<u>\$ 3,531,135</u>	<u>\$ 3,705,026</u>	<u>\$ 3,829,633</u>	<u>\$ 3,920,522</u>

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
95.7 %	97.6 %	98.4 %	98.9 %	98.9 %
1.0	0.5	0.6	0.6	0.6
3.3	1.9	1.0	0.5	0.5
<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>
0.2	0.2	0.0	0.0	0.0
2.1	2.0	1.9	1.9	1.9
0.4	0.3	0.2	0.3	0.3
80.4	79.8	76.1	71.8	71.8
<u>23.9</u>	<u>26.1</u>	<u>27.7</u>	<u>30.2</u>	<u>30.2</u>
<u>107.0</u>	<u>108.4</u>	<u>105.9</u>	<u>104.2</u>	<u>104.2</u>
<u>(7.0) %</u>	<u>(8.4) %</u>	<u>(5.9) %</u>	<u>(4.2) %</u>	<u>(4.2) %</u>

Harris County Municipal Utility District No. 370
Board Members, Key Personnel and Consultants
Year Ended August 31, 2019

Complete District mailing address:	Harris County Municipal Utility District No. 370 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 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):	June 8, 2018
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	\$ 1,650	\$ 196	President
Harold Cobb	Elected 05/18- 05/22	1,350	109	Vice President
Mike Ecklund	Elected 05/16- 05/20	3,450	2,347	Secretary
Linda Myers	Elected 05/16- 05/20	1,800	387	Assistant Secretary
Emily Pruiett	Appointed 05/18- 05/20	1,800	212	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, 2019

Consultants	Date Hired	Fees and Expense Reimbursements	Title
B&A Municipal Tax Service, LLC	10/01/11	\$ 32,876	Tax Assessor/ Collector
BKD, LLP	08/14/00	19,300	Auditor
Benchmark Engineering Corporation	01/10/00	49,309	Engineer
Harris County Appraisal District	Legislative Action	16,654	Appraiser
Masterson Advisors LLC	05/14/18	0	Financial Advisor
Municipal Accounts & Consulting, L.P.	04/14/03	30,916	Bookkeeper
Schwartz, Page & Harding, L.L.P.	09/08/99	76,636	Attorney
TNG Utility Corp.	06/01/12	368,342	Operator
Ted A. Cox, P.C.	04/14/03	4,727	Delinquent Tax Attorney
Investment Officers			
Mark. M. Burton and Ghia Lewis	07/12/04	N/A	Bookkeepers