

FAR HILLS UTILITY DISTRICT
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Far Hills Utility District
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Far Hills Utility District (the "District"), as of and for the year ended December 31, 2019, 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 December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 9, 2020

**FAR HILLS UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Management's discussion and analysis of Far Hills Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

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

**FAR HILLS UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO FINANCIAL STATEMENTS

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$141,733 as of December 31, 2019.

A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of government-wide changes in net position:

**FAR HILLS UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 4,241,919	\$ 4,119,411	\$ 122,508
Capital Assets (Net of Accumulated Depreciation)	<u>7,841,082</u>	<u>7,192,525</u>	<u>648,557</u>
Total Assets	<u>\$ 12,083,001</u>	<u>\$ 11,311,936</u>	<u>\$ 771,065</u>
Deferred Outflows of Resources	<u>\$ -0-</u>	<u>\$ 2,798</u>	<u>\$ (2,798)</u>
Due to Developer	\$ 473,786	\$	\$ (473,786)
Long-Term Liabilities	9,624,141	9,913,715	289,574
Other Liabilities	<u>558,936</u>	<u>782,989</u>	<u>224,053</u>
Total Liabilities	<u>\$ 10,656,863</u>	<u>\$ 10,696,704</u>	<u>\$ 39,841</u>
Deferred Inflows of Resources	<u>\$ 1,284,405</u>	<u>\$ 1,239,394</u>	<u>\$ (45,011)</u>
Net Position:			
Net Investment in Capital Assets	\$ (2,224,080)	\$ (2,514,697)	\$ 290,617
Restricted	503,604	500,948	2,656
Unrestricted	<u>1,862,209</u>	<u>1,392,385</u>	<u>469,824</u>
Total Net Position	<u>\$ 141,733</u>	<u>\$ (621,364)</u>	<u>\$ 763,097</u>

The following table provides a summary of the District's operations for the years ended December 31, 2019, and December 31, 2018.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,232,699	\$ 1,200,977	\$ 31,722
Charges for Services	447,900	473,782	(25,882)
Other Revenues	<u>486,919</u>	<u>202,923</u>	<u>283,996</u>
Total Revenues	<u>\$ 2,167,518</u>	<u>\$ 1,877,682</u>	<u>\$ 289,836</u>
Expenses for Services	<u>(1,404,421)</u>	<u>(1,510,185)</u>	<u>(105,764)</u>
Change in Net Position	\$ 763,097	\$ 367,497	\$ 395,600
Net Position, Beginning of Year	<u>(621,364)</u>	<u>(988,861)</u>	<u>367,497</u>
Net Position, End of Year	<u>\$ 141,733</u>	<u>\$ (621,364)</u>	<u>\$ 763,097</u>

**FAR HILLS UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2019, were \$2,772,620, an increase of \$329,098 from the prior year.

The General Fund fund balance increased by \$467,843, primarily due to current year revenues and transfers exceeding operating and capital expenditures.

The Debt Service Fund fund balance increased by \$15,785, primarily due to the timing of the District's debt service payments.

The Capital Projects Fund fund balance decreased by \$154,530, primarily due to current year transfers to the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$910,363 more than budgeted revenues. Actual expenditures were \$746,001 more than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of December 31, 2019, total \$7,841,082 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems.

Capital asset events during the current fiscal year included roof replacement for the administration building, generator at the water plant and Clearview Estates water, sewer and drainage facilities. Construction in progress included lift station no. 1 improvements, water plant hydro tank and booster pump, lift station and force main to serve Park on the Lake RV Park and Kahlenberg Estates water, sewer and drainage facilities.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 393,993	\$ 393,993	\$
Construction in Progress	686,766	362,770	323,996
Capital Assets, Net of Accumulated Depreciation:			
Buildings	288,399	271,570	16,829
Water System	3,248,811	3,166,476	82,335
Wastewater System	2,619,463	2,708,224	(88,761)
Drainage System	603,650	289,492	314,158
Total Net Capital Assets	\$ 7,841,082	\$ 7,192,525	\$ 648,557

Additional information on the District's capital assets can be found in Note 6 of this report.

**FAR HILLS UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

DEBT ACTIVITY

At the end of the current fiscal year, the District had total debt payable of \$10,049,030. The changes in the debt position of the District during the fiscal year ended December 31, 2019, are summarized as follows:

Bond Debt

Bond Debt Payable, January 1, 2019	\$ 10,240,000
Less: Bond Principal Paid	<u>280,000</u>
Bond Debt Payable, December 31, 2019	<u>\$ 9,960,000</u>

Capital Lease Payable

Capital Lease Payable, January 1, 2019	\$ 100,031
Less: Capital Lease Principal Paid	<u>11,001</u>
Capital Lease Payable, December 31, 2019	<u>\$ 89,030</u>

The District's bonds carry an underlying rating of "BBB" by Standard & Poor's Ratings Services ("S&P"). The Series 2018 bonds carry an insured rating of "AA" by virtue of bond insurance by Build America Mutual Assurance Company.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Far Hills Utility District, c/o Radcliffe Bobbitt Adams Polley PLLC, 2929 Allen Parkway, Suite 3450, Houston, TX 77019.

**FAR HILLS UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2019**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 254,996	\$ 896,185
Investments	1,946,211	314,653
Cash with Tax Assessor/Collector		40,412
Receivables:		
Property Taxes	251,704	249,157
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$3,000)	26,951	
Annexation Costs	805	
Due from Other Funds	271,855	
Prepaid Costs	4,327	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,756,849	\$ 1,500,407

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 145,067	\$ 1,296,248	\$	\$ 1,296,248
100,519	2,361,383		2,361,383
	40,412		40,412
	500,861		500,861
		1,749	1,749
	26,951		26,951
	805		805
	271,855	(271,855)	
	4,327	9,183	13,510
		393,993	393,993
		686,766	686,766
		<u>6,760,323</u>	<u>6,760,323</u>
<u>\$ 245,586</u>	<u>\$ 4,502,842</u>	<u>\$ 7,580,159</u>	<u>\$ 12,083,001</u>

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

**FAR HILLS UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2019**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 41,651	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		266,404
Security Deposits	81,443	
Other Deposits	45,685	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
Capital Lease Payable, Due Within One Year		
Capital Lease Payable, Due After One Year		
TOTAL LIABILITIES	\$ 168,779	\$ 266,404
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 648,408	\$ 641,180
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 4,327	\$
Restricted for Authorized Construction		
Restricted for Debt Service		592,823
Unassigned	1,935,335	
TOTAL FUND BALANCES	\$ 1,939,662	\$ 592,823
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,756,849	\$ 1,500,407
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 41,651	\$	\$ 41,651
		93,757	93,757
		473,786	473,786
5,451	271,855	(271,855)	
	81,443		81,443
	45,685		45,685
		285,000	285,000
		9,546,511	9,546,511
		11,400	11,400
		77,630	77,630
\$ 5,451	\$ 440,634	\$ 10,216,229	\$ 10,656,863
\$ - 0 -	\$ 1,289,588	\$ (5,183)	\$ 1,284,405
\$	\$ 4,327	\$ (4,327)	\$
240,135	240,135	(240,135)	
	592,823	(592,823)	
	1,935,335	(1,935,335)	
\$ 240,135	\$ 2,772,620	\$ (2,772,620)	\$ - 0 -
\$ 245,586	\$ 4,502,842		
		\$ (2,224,080)	\$ (2,224,080)
		503,604	503,604
		1,862,209	1,862,209
		\$ 141,733	\$ 141,733

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

**FAR HILLS UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total Fund Balances - Governmental Funds \$ 2,772,620

Amounts reported for governmental activities in the Statement of Net Position are different because:

Bond insurance premiums paid at closing are amortized over the term of the bonds. 9,183

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 7,841,082

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenues in the governmental activities of the District. 6,932

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Due to Developer	\$ (473,786)	
Accrued Interest Payable	(93,757)	
Capital Lease Payable Within One Year	(11,400)	
Capital Lease Payable After One Year	(77,630)	
Bonds Payable Within One Year	(285,000)	
Bonds Payable After One Year	<u>(9,546,511)</u>	<u>(10,488,084)</u>

Total Net Position - Governmental Activities \$ 141,733

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

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FAR HILLS UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 588,050	\$ 663,044
Water Service	187,649	
Wastewater Service	200,686	
San Jacinto River Authority Fees	23,037	
Penalty and Interest	3,258	12,003
Tap Connection and Inspection Fees	26,475	
Investment Revenues	40,314	7,901
Capital Contributions	897,243	
Miscellaneous Revenues	8,151	
TOTAL REVENUES	\$ 1,974,863	\$ 682,948
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 91,327	\$ 4,195
Contracted Services	105,018	13,408
Utilities	54,640	
Repairs and Maintenance	336,483	
San Jacinto River Authority Assessments	214	
Depreciation		
Other	119,656	1,122
Conveyance of Assets		
Capital Outlay	930,562	
Debt Service:		
Bond Principal		280,000
Capital Lease Principal	11,001	
Bond Interest		368,438
Capital Lease Interest	3,630	
TOTAL EXPENDITURES/EXPENSES	\$ 1,652,531	\$ 667,163
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 322,332	\$ 15,785
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 145,511	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 467,843	\$ 15,785
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2019	1,471,819	577,038
FUND BALANCES/NET POSITION - DECEMBER 31, 2019	\$ 1,939,662	\$ 592,823

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,251,094	\$ (18,395)	\$ 1,232,699
	187,649		187,649
	200,686		200,686
	23,037		23,037
	15,261	(5,208)	10,053
	26,475		26,475
7,096	55,311		55,311
	897,243	(473,786)	423,457
	8,151		8,151
<u>\$ 7,096</u>	<u>\$ 2,664,907</u>	<u>\$ (497,389)</u>	<u>\$ 2,167,518</u>
\$	\$ 95,522	\$	\$ 95,522
	118,426		118,426
	54,640		54,640
	336,483	27,419	363,902
	214		214
		270,578	270,578
123	120,901		120,901
15,992	946,554	(946,554)	
	280,000	(280,000)	
	11,001	(11,001)	
	368,438	8,488	376,926
	3,630	(318)	3,312
<u>\$ 16,115</u>	<u>\$ 2,335,809</u>	<u>\$ (931,388)</u>	<u>\$ 1,404,421</u>
<u>\$ (9,019)</u>	<u>\$ 329,098</u>	<u>\$ 433,999</u>	<u>\$ 763,097</u>
<u>\$ (145,511)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ (154,530)	\$ 329,098	\$ (329,098)	\$
		763,097	763,097
<u>394,665</u>	<u>2,443,522</u>	<u>(3,064,886)</u>	<u>(621,364)</u>
<u>\$ 240,135</u>	<u>\$ 2,772,620</u>	<u>\$ (2,630,887)</u>	<u>\$ 141,733</u>

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

**FAR HILLS UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$	329,098
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.		(18,395)
Governmental funds report penalty and interest revenues on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.		(5,208)
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(270,578)
Governmental funds report capital costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital assets purchases are expensed in the Statement of Activities.		919,135
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.		291,001
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end.		(8,170)
Governmental funds report developer capital contributions as revenue. However, in the Statement of Net Position, developer capital contributions, net any amount paid to the developer, are recorded as a liability.		(473,786)
Change in Net Position - Governmental Activities	\$	<u>763,097</u>

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

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. CREATION OF DISTRICT

Far Hills Utility District, located in Montgomery County, Texas (the “District”), was created by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”), effective January 4, 1972. Pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on February 2, 1972 and the first bonds were sold on November 15, 1972.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

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

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each fund to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

Property taxes considered available by the District and included in revenues include the 2018 tax levy collections during the period October 1, 2018, to December 31, 2019, taxes collected from January 1, 2019, to December 31, 2019, for all prior tax levies. The 2019 tax levy has been fully deferred to meet the District's planned expenditures in the 2020 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2019, the Debt Service Fund (Tax Account) owed the General Fund \$266,404 for maintenance tax collections and the Capital Projects Fund owed the General Fund \$5,451 for repairs paid by the Developer. The District transferred \$145,511 from the Capital Projects Fund to the General Fund to reimburse for repairs and maintenance costs.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for payroll tax purposes only.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Government Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. LONG-TERM DEBT

	Series 2012	Series 2013	Series 2015 Refunding
Amount Outstanding – December 31, 2019	\$ 2,040,000	\$ 970,000	\$ 1,990,000
Interest Rates	2.40% - 3.75%	3.50% - 5.00%	3.00% - 3.375%
Maturity Dates – Serially Beginning/Ending	April 1 2020/2037	April 1 2020/2037	April 1 2020/2031
Interest Payment Dates	April 1/October 1	April 1/October 1	April 1/October 1
Callable Dates	April 1, 2020*	April 1, 2021*	April 1, 2023*
	Series 2015	Series 2018	
Amount Outstanding – December 31, 2019	\$ 3,335,000	\$ 1,625,000	
Interest Rates	3.00% - 4.00%	3.00% - 4.00%	
Maturity Dates – Serially Beginning/Ending	April 1 2020/2041	April 1 2020/2042	
Interest Payment Dates	April 1/October 1	April 1/October 1	
Callable Dates	April 1, 2023*	April 1, 2025*	

* Or any date therefore, in whole or in part, at par plus unpaid accrued interest. Series 2012 term bonds maturing April 1, 2027, 2031, 2034 and 2037, are subject to mandatory redemption beginning on April 1, 2024, 2028, 2032 and 2035, respectively. Series 2013 term bonds maturing April 1, 2024, 2027 and 2037 are subject to mandatory redemption beginning on April 1, 2023, 2025 and 2028, respectively. The Series 2015 Refunding term bonds maturing on April 1, 2027, 2029 and 2031 are subject to mandatory redemption beginning on April 1, 2026, 2028 and 2030 respectively. The Series 2015 term bonds maturing on April 1, 2038 and 2041 are subject to mandatory redemption beginning on April 1, 2036 and 2039, respectively. The Series 2018 term bonds maturing on April 1, 2038 are subject to mandatory redemption beginning on April 1, 2035.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2019:

	January 1, 2019	Additions	Retirements	December 31, 2019
Bonds Payable	\$ 10,240,000	\$	\$ 280,000	\$ 9,960,000
Unamortized Discounts	(135,315)	_____	(6,826)	(128,489)
Bonds Payable, Net	\$ 10,104,685	\$ -0-	\$ 273,174	\$ 9,831,511
			Amount Due Within One Year	\$ 285,000
			Amount Due After One Year	9,546,511
			Bonds Payable, Net	\$ 9,831,511

As of December 31, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 285,000	\$ 360,248	\$ 645,248
2021	295,000	351,048	646,048
2022	305,000	341,354	646,354
2023	315,000	331,148	646,148
2024	325,000	320,492	645,492
2025-2029	1,795,000	1,427,444	3,222,444
2030-2034	2,160,000	1,073,504	3,233,504
2035-2039	2,630,000	615,600	3,245,600
2040-2042	1,850,000	104,737	1,954,737
	\$ 9,960,000	\$ 4,925,575	\$ 14,885,575

As of December 31, 2019, the District had authorized but unissued bonds in the amount of \$23,075,000 for waterworks, sanitary sewer and drainage facilities and \$38,450,000 for refunding purposes.

The bonds are payable from the proceeds of an ad valorem tax and benefits tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and wastewater system.

Each year the Commissioners of Appraisalment define benefit sites, which are to be assessed in an amount so that the total benefit tax levy will be sufficient to pay up to 50% of the following years' debt service. The remainder of the required funds is levied in the form of an ad valorem debt service tax.

During the year ended December 31, 2019, the District levied an ad valorem debt service tax at the rate of \$0.335 per \$100 of assessed valuation, which resulted in a tax levy of \$638,391 on the

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

adjusted taxable valuation of \$190,564,718 for the 2019 tax year. The District did not levy a benefit tax for the 2019 tax year. 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 and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The bond orders state that the District is required to provide to the Municipal Securities Rulemaking Board via the Electronic Municipal Market Access system continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.
- B. The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each five-year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$1,296,248 and the bank balance was \$1,212,926. The District was not exposed to custodial credit risk at year-end.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2019, as listed below:

	Cash
GENERAL FUND	\$ 254,996
DEBT SERVICE FUND	896,185
CAPITAL PROJECTS FUND	145,067
TOTAL DEPOSITS	\$ 1,296,248

Investments

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

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

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

As of December 31, 2019, the District had the following investments and maturities:

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 1,946,211	\$ 1,946,211
<u>DEBT SERVICE FUND</u>		
TexPool	314,653	314,653
<u>CAPITAL PROJECTS FUND</u>		
TexPool	100,519	100,519
TOTAL INVESTMENTS	\$ 2,361,383	\$ 2,361,383

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2019, the District's investment in TexPool was rated "AAAm" by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019:

	January 1, 2019	Increases	Decreases	December 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 393,993	\$	\$	\$ 393,993
Construction in Progress	<u>362,770</u>	<u>919,135</u>	<u>595,139</u>	<u>686,766</u>
Total Capital Assets Not Being Depreciated	<u>\$ 756,763</u>	<u>\$ 919,135</u>	<u>\$ 595,139</u>	<u>\$ 1,080,759</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 538,994	\$ 33,319	\$	\$ 572,313
Water System	4,561,415	238,216	56,691	4,742,940
Wastewater System	4,175,763			4,175,763
Drainage System	<u>370,984</u>	<u>323,604</u>		<u>694,588</u>
Total Capital Assets Subject to Depreciation	<u>\$ 9,647,156</u>	<u>\$ 595,139</u>	<u>\$ 56,691</u>	<u>\$ 10,185,604</u>
Less Accumulated Depreciation				
Buildings	\$ 267,424	\$ 16,490	\$	\$ 283,914
Water System	1,394,939	155,881	56,691	1,494,129
Wastewater System	1,467,539	88,761		1,556,300
Drainage System	<u>81,492</u>	<u>9,446</u>		<u>90,938</u>
Total Accumulated Depreciation	<u>\$ 3,211,394</u>	<u>\$ 270,578</u>	<u>\$ 56,691</u>	<u>\$ 3,425,281</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,435,762</u>	<u>\$ 324,561</u>	<u>\$ - 0 -</u>	<u>\$ 6,760,323</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,192,525</u>	<u>\$ 1,243,696</u>	<u>\$ 595,139</u>	<u>\$ 7,841,082</u>

NOTE 7. MAINTENANCE TAX

On May 4, 1972, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended December 31, 2019, the District levied an ad valorem maintenance tax at the rate of \$0.339 per \$100 of assessed valuation, which resulted in a tax levy of \$646,014 on the adjusted taxable valuation of \$190,564,718 for the 2019 tax year.

NOTE 8. CAPITAL LEASE

On March 17, 2016, the District entered into an equipment lease-purchase agreement with Government Capital Corporation to finance the acquisition and installation of electronic water meters. The meters were expensed in repairs and maintenance. The financed amount was \$120,854 with an incremental borrowing rate of 3.629%. Ten annual payments of \$14,631 are due beginning March 15, 2017 and ending March 15, 2026.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8. CAPITAL LEASE (Continued)

The following is a schedule of future minimum lease payments under this capital lease as of December 31, 2019:

Fiscal Year	Principal	Interest	Total
2020	\$ 11,400	\$ 3,231	\$ 14,631
2021	11,813	2,817	14,630
2022	12,242	2,389	14,631
2023	12,686	1,944	14,630
2024	13,147	1,484	14,631
2025-2026	27,742	1,519	29,261
	<u>\$ 89,030</u>	<u>\$ 13,384</u>	<u>\$ 102,414</u>

The following is a summary of transitions regarding capital lease payable for the year ended December 31, 2019:

Capital Lease Payable, January 1, 2019	\$ 100,031
Less: Capital Lease Principal Paid	<u>11,001</u>
Capital Lease Payable, December 31, 2019	<u>\$ 89,030</u>
Capital Lease Payable:	
Due Within One Year	\$ 11,400
Due After One Year	<u>77,630</u>
Capital Lease Payable, December 31, 2019	<u>\$ 89,030</u>

NOTE 9. LONE STAR GROUND WATER CONSERVATION DISTRICT

The District is located within the boundaries of the Lone Star Ground Water Conservation District (the "Conservation District"). The Conservation District was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Conservation District for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Conservation District is overseeing that its participants comply with subsidence district pumpage requirements.

The Conservation District charges a fee based on the amount of water pumped from a well to the owner of wells located within the boundaries of the Conservation District, unless exempted. The fee enables the Conservation District to fulfill its purpose and regulatory functions. The fee for 2019 was \$0.105 per 1,000 gallons of water pumped from each well. During the current fiscal year, the District recorded an expenditure of \$5,260 to the Conservation District.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amount for the past three fiscal years.

NOTE 11. SAN JACINTO RIVER AUTHORITY

On June 1, 2010, the District entered into the Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the "Authority"). The District and the Authority operate within the boundaries of Lone Star Groundwater Conservation District (the "Conservation District"). See also Note 9. The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. A surface water treatment and transmission system (the "Project") is proposed to be designed, constructed, operated, and maintained by the Authority in order to provide phased treatment, transmission, and delivery of the Authority's surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater. The Authority will develop a Groundwater Reduction Plan (the "GRP") for all participants. The Authority charges a fee, currently \$2.73 per 1,000 gallons, based on the amount of groundwater pumped from each well. This fee enables the Authority to achieve, maintain and implement the GRP. The term of this contract expires on December 31, 2045. During the current fiscal year, the District was assessed \$214 in relation to this contract.

NOTE 12. USE OF SURPLUS FUNDS

On July 11, 2019, the District approved the use of surplus funds from the Series 2015 Bonds in the amounts of \$33,319 to provide for the roof replacement for the administration building and \$53,580 for the sewer treatment plant maintenance project. This approval was in accordance with 293.83 (c) (3) (B) of the Commission rules.

On September 12, 2019, the District approved the use of surplus funds from the Series 2015 Bonds in the amounts of \$9,475 to provide for water plant no. 1 maintenance, \$19,596 for lift station maintenance and rehabilitation and \$29,662 for the water well no. 2 abandonment project. This approval was in accordance with 293.83 (c) (3) (B) of the Commission rules.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 13. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with a Developer within the District which provides for the Developer to advance funds to or on behalf of the District for water, sewer and drainage facilities. The District has an obligation to reimburse the Developer for these costs from future bond issues to the extent approved by the Commission. The District has recorded a liability to the Developers of \$473,786 for advances as of December 31, 2019. The actual amounts owed, including developer interest will be calculated at the time debt is issued to reimburse the Developer.

NOTE 14. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which are likely to have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

FAR HILLS UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

**FAR HILLS UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 583,000	\$ 588,050	\$ 5,050
Water Service	190,000	187,649	(2,351)
Wastewater Service	195,000	200,686	5,686
San Jacinto River Authority Fees	40,000	23,037	(16,963)
Penalty and Interest	5,000	3,258	(1,742)
Tap Connection and Inspection Fees	25,000	26,475	1,475
Investment Revenues	18,000	40,314	22,314
Capital Contributions		897,243	897,243
Miscellaneous Revenues	8,500	8,151	(349)
TOTAL REVENUES	\$ 1,064,500	\$ 1,974,863	\$ 910,363
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 132,000	\$ 91,327	\$ 40,673
Contracted Services	109,000	105,018	3,982
Utilities	64,500	54,640	9,860
Repairs and Maintenance	375,200	336,483	38,717
San Jacinto River Authority Assessments	40,000	214	39,786
Other	171,200	119,656	51,544
Capital Outlay		930,562	(930,562)
Debt Service:			
Capital Lease Principal	11,000	11,001	(1)
Capital Lease Interest	3,630	3,630	
TOTAL EXPENDITURES	\$ 906,530	\$ 1,652,531	\$ (746,001)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 157,970	\$ 322,332	\$ 164,362
OTHER FINANCING SOURCES(USES)			
Transfers In	\$ -0-	\$ 145,511	\$ 145,511
NET CHANGE IN FUND BALANCE	\$ 157,970	\$ 467,843	\$ 309,873
FUND BALANCE - JANUARY 1, 2019	1,471,819	1,471,819	
FUND BALANCE - DECEMBER 31, 2019	\$ 1,629,789	\$ 1,939,662	\$ 309,873

See accompanying independent auditor's report.

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FAR HILLS UTILITY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2019

**FAR HILLS UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved July 11, 2019, effective August 1, 2019.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 18.00	2,000	N	\$ 1.37	2,001 to 5,000
				1.50	5,001 to 10,000
				2.12	10,001 to 15,000
				2.62	15,001 to 20,000
				2.87	20,001 to 30,000
				3.37	30,001 to 35,000
				3.50	35,001 to 50,000
				4.00	50,001 and up
WASTEWATER:	\$ 33.00	5,000	N	0.17	5,001 and up
SURCHARGE:					
San Jacinto River Authority Assessments			N	\$ 0.10	0,001 and up
TCEQ Regulatory Assessments			N	0.5 % of water and wastewater charges	

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$29.61 Wastewater: \$33.85 Surcharge: 1.32 Total: \$ 64.78

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2019**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	497	480	x 1.0	480
1"	34	33	x 2.5	83
1½"	1		x 5.0	
2"	3	2	x 8.0	16
3"	2	1	x 15.0	15
4"	1	1	x 25.0	25
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>538</u>	<u>517</u>		<u>619</u>
Total Wastewater Connections	<u>517</u>	<u>496</u>	x 1.0	<u>496</u>

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

Gallons pumped into system:	54,064,000	Water Accountability Ratio: 94.4% (Gallons billed and used/Gallons pumped and purchased)
Gallons billed to customers:	51,015,000	

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ's in which District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2019**

PROFESSIONAL FEES:	
Auditing	\$ 20,850
Engineering	19,368
Legal	<u>51,109</u>
TOTAL PROFESSIONAL FEES	<u>\$ 91,327</u>
CONTRACTED SERVICES:	
Bookkeeping and Billings	\$ 25,565
Operations	<u>79,453</u>
TOTAL CONTRACTED SERVICES	<u>\$ 105,018</u>
UTILITIES	<u>\$ 54,640</u>
REPAIRS AND MAINTENANCE	<u>\$ 336,483</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 14,200
Dues	675
Election Costs	873
Insurance	14,227
Office Supplies and Postage	4,894
Payroll Taxes	1,138
Travel and Meetings	6,479
Other	<u>13,882</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 56,368</u>
CAPITAL OUTLAY	<u>\$ 930,562</u>
TAP CONNECTIONS	<u>\$ 5,808</u>

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2019**

OTHER EXPENDITURES:	
Chemicals	\$ 23,637
Inspection Fees	1,046
Laboratory Fees	12,890
Permit Fees	7,620
Commission Regulatory Assessment	1,872
San Jacinto River Authority Assessments	214
Sludge Hauling	<u>10,415</u>
TOTAL OTHER EXPENDITURES	<u>\$ 57,694</u>
DEBT SERVICE:	
Capital Lease Principal	\$ 11,001
Capital Lease Interest	<u>3,630</u>
TOTAL DEBT SERVICE	<u>\$ 14,631</u>
TOTAL EXPENDITURES	<u>\$ 1,652,531</u>

See accompanying independent auditor's report.

FAR HILLS UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2019

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 1,946,211	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 314,653	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 100,519	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 2,361,383</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2019	\$	284,347	\$	321,271
Adjustments to Beginning				
Balance		<u>(3,074)</u>	\$	<u>317,651</u>
Original 2019 Tax Levy	\$	635,131	\$	627,637
Adjustment to 2019 Tax Levy		<u>10,883</u>	<u>646,014</u>	<u>638,391</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	927,287	\$
				956,042
TAX COLLECTIONS:				
Prior Years	\$	278,879	\$	314,862
Current Year		<u>396,704</u>	<u>675,583</u>	<u>706,885</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2019		<u>\$</u>	<u>251,704</u>	<u>\$</u>
				<u>249,157</u>
TAXES RECEIVABLE BY				
YEAR:				
2019	\$	249,310	\$	246,368
2018		1,319		1,485
2017		511		622
2016		445		546
2013		41		44
2012		39		46
2011		<u>39</u>		<u>46</u>
TOTAL	\$	<u>251,704</u>	\$	<u>249,157</u>

See accompanying independent auditor's report.

FAR HILLS UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018	2017	2016
PROPERTY VALUATIONS:				
Land	\$ 59,185,970	\$ 58,914,960	\$ 60,231,310	\$ 54,732,740
Improvements	140,142,030	133,152,900	128,093,920	120,127,780
Personal Property	1,240,298	1,073,276	1,052,129	979,575
Exemptions	(10,003,580)	(9,254,831)	(11,278,991)	(10,549,820)
TOTAL PROPERTY VALUATIONS	\$ 190,564,718	\$ 183,886,305	\$ 178,098,368	\$ 165,290,275
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.335	\$ 0.357	\$ 0.370	\$ 0.358
Maintenance**	0.339	0.317	0.304	0.292
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.674	\$ 0.674	\$ 0.674	\$ 0.650
ADJUSTED TAX LEVY*	\$ 1,284,405	\$ 1,239,394	\$ 1,200,587	\$ 1,074,388
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	61.41 %	99.77 %	99.91 %	99.91 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

** Maintenance Tax – An unlimited tax rate was approved by voters on May 4, 1972.

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2019**

S E R I E S - 2 0 1 2			
Due During Fiscal Years Ending December 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2020	\$ 25,000	\$ 74,185	\$ 99,185
2021	25,000	73,554	98,554
2022	25,000	72,879	97,879
2023	25,000	72,160	97,160
2024	25,000	71,348	96,348
2025	30,000	70,385	100,385
2026	25,000	69,422	94,422
2027	30,000	68,460	98,460
2028	30,000	67,410	97,410
2029	30,000	66,360	96,360
2030	30,000	65,310	95,310
2031	30,000	64,260	94,260
2032	245,000	59,203	304,203
2033	260,000	49,860	309,860
2034	275,000	39,962	314,962
2035	290,000	29,438	319,438
2036	310,000	18,187	328,187
2037	330,000	6,187	336,187
2038			
2039			
2040			
2041			
2042			
	\$ 2,040,000	\$ 1,038,570	\$ 3,078,570

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2019**

S E R I E S - 2 0 1 3			
Due During Fiscal Years Ending December 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2020	\$ 40,000	\$ 44,700	\$ 84,700
2021	45,000	43,156	88,156
2022	45,000	41,412	86,412
2023	50,000	39,450	89,450
2024	45,000	37,431	82,431
2025	45,000	35,463	80,463
2026	55,000	33,213	88,213
2027	55,000	30,737	85,737
2028	55,000	28,125	83,125
2029	60,000	25,250	85,250
2030	60,000	22,250	82,250
2031	65,000	19,125	84,125
2032	65,000	15,875	80,875
2033	60,000	12,750	72,750
2034	60,000	9,750	69,750
2035	60,000	6,750	66,750
2036	55,000	3,875	58,875
2037	50,000	1,250	51,250
2038			
2039			
2040			
2041			
2042			
	\$ 970,000	\$ 450,562	\$ 1,420,562

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2019**

S E R I E S - 2 0 1 5 R E F U N D I N G

Due During Fiscal Years Ending December 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2020	\$ 135,000	\$ 59,613	\$ 194,613
2021	140,000	55,488	195,488
2022	145,000	51,213	196,213
2023	150,000	46,788	196,788
2024	160,000	42,138	202,138
2025	165,000	37,263	202,263
2026	165,000	32,313	197,313
2027	170,000	27,288	197,288
2028	180,000	21,925	201,925
2029	185,000	16,222	201,222
2030	195,000	10,041	205,041
2031	200,000	3,375	203,375
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 1,990,000</u>	<u>\$ 403,667</u>	<u>\$ 2,393,667</u>

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2019**

S E R I E S - 2 0 1 5

Due During Fiscal Years Ending December 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2020	\$ 50,000	\$ 126,206	\$ 176,206
2021	50,000	124,706	174,706
2022	50,000	123,206	173,206
2023	50,000	121,706	171,706
2024	55,000	120,131	175,131
2025	55,000	118,413	173,413
2026	60,000	116,506	176,506
2027	60,000	114,444	174,444
2028	60,000	112,344	172,344
2029	65,000	110,156	175,156
2030	70,000	107,750	177,750
2031	75,000	105,122	180,122
2032	75,000	102,356	177,356
2033	80,000	99,450	179,450
2034	80,000	96,450	176,450
2035	85,000	93,356	178,356
2036	85,000	90,116	175,116
2037	90,000	86,725	176,725
2038	495,000	75,391	570,391
2039	520,000	55,400	575,400
2040	550,000	34,000	584,000
2041	575,000	11,500	586,500
2042			
	<u>\$ 3,335,000</u>	<u>\$ 2,145,434</u>	<u>\$ 5,480,434</u>

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2019**

S E R I E S - 2 0 1 8

Due During Fiscal Years Ending December 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2020	\$ 35,000	\$ 55,544	\$ 90,544
2021	35,000	54,144	89,144
2022	40,000	52,644	92,644
2023	40,000	51,044	91,044
2024	40,000	49,444	89,444
2025	40,000	47,844	87,844
2026	40,000	46,444	86,444
2027	45,000	45,169	90,169
2028	45,000	43,819	88,819
2029	45,000	42,469	87,469
2030	45,000	41,090	86,090
2031	45,000	39,656	84,656
2032	45,000	38,194	83,194
2033	50,000	36,650	86,650
2034	50,000	35,025	85,025
2035	50,000	33,369	83,369
2036	55,000	31,597	86,597
2037	55,000	29,740	84,740
2038	50,000	27,969	77,969
2039	50,000	26,250	76,250
2040	40,000	24,675	64,675
2041	40,000	23,275	63,275
2042	645,000	11,287	656,287
	<u>\$ 1,625,000</u>	<u>\$ 887,342</u>	<u>\$ 2,512,342</u>

See accompanying independent auditor's report.

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**FAR HILLS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2019**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 285,000	\$ 360,248	\$ 645,248
2021	295,000	351,048	646,048
2022	305,000	341,354	646,354
2023	315,000	331,148	646,148
2024	325,000	320,492	645,492
2025	335,000	309,368	644,368
2026	345,000	297,898	642,898
2027	360,000	286,098	646,098
2028	370,000	273,623	643,623
2029	385,000	260,457	645,457
2030	400,000	246,441	646,441
2031	415,000	231,538	646,538
2032	430,000	215,628	645,628
2033	450,000	198,710	648,710
2034	465,000	181,187	646,187
2035	485,000	162,913	647,913
2036	505,000	143,775	648,775
2037	525,000	123,902	648,902
2038	545,000	103,360	648,360
2039	570,000	81,650	651,650
2040	590,000	58,675	648,675
2041	615,000	34,775	649,775
2042	645,000	11,287	656,287
	<u>\$ 9,960,000</u>	<u>\$ 4,925,575</u>	<u>\$ 14,885,575</u>

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2019**

Description	Original Bonds Issued*	Bonds Outstanding January 1, 2019
Far Hills Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2012	\$ 2,160,000	\$ 2,060,000
Far Hills Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013	1,185,000	1,010,000
Far Hills Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2015	2,535,000	2,125,000
Far Hills Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2015	3,470,000	3,385,000
Far Hills Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2018	<u>1,660,000</u>	<u>1,660,000</u>
TOTAL	<u>\$ 11,010,000</u>	<u>\$ 10,240,000</u>
 Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 35,200,000	\$ 39,000,000
Amount Issued	<u>12,125,000</u>	<u>550,000</u>
Remaining to be Issued	<u>\$ 23,075,000</u>	<u>\$ 38,450,000</u>
 Debt Service Fund cash and investment balances as of December 31, 2019:		<u>\$ 1,251,250</u>
 Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 647,199</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 20,000	\$ 74,700	\$ 2,040,000	Wells Fargo Bank N.A. Houston, TX
	40,000	46,100	970,000	Bank of Texas Austin, TX
	135,000	62,988	1,990,000	Bank of Texas Austin, TX
	50,000	127,706	3,335,000	Bank of Texas Austin, TX
	<u>35,000</u>	<u>56,944</u>	<u>1,625,000</u>	UMB Bank, N.A. Houston, TX
<u>\$ - 0 -</u>	<u>\$ 280,000</u>	<u>\$ 368,438</u>	<u>\$ 9,960,000</u>	

See accompanying independent auditor's report.

FAR HILLS UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 588,050	\$ 537,563	\$ 478,453
Water Service	187,649	182,120	177,735
Wastewater Service	200,686	196,388	192,167
San Jacinto River Authority Fees	23,037	48,223	104,275
Penalty and Interest	3,258	4,447	4,509
Tap Connection and Inspection Fees	26,475	30,075	22,650
Investment Revenues	40,314	19,636	7,411
Sale of Capacity		75,291	
Developer Contributions	897,243	83,689	
Miscellaneous Revenues	8,151	8,706	7,990
TOTAL REVENUES	\$ 1,974,863	\$ 1,186,138	\$ 995,190
EXPENDITURES			
Professional Fees	\$ 91,327	\$ 82,252	\$ 105,396
Contracted Services	105,018	102,480	82,990
Utilities	54,640	52,791	63,519
Repairs and Maintenance	336,483	202,555	242,234
San Jacinto River Authority Assessments	214	15,618	82,446
Other	119,656	98,897	107,014
Capital Outlay	930,562	113,435	83,714
Debt Service:			
Bond Issuance Costs			19,651
Capital Lease Principal	11,001	10,615	10,208
Capital Lease Interest	3,630	4,015	4,423
Revenue Note Interest			
TOTAL EXPENDITURES	\$ 1,652,531	\$ 682,658	\$ 801,595
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 322,332	\$ 503,480	\$ 193,595
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ 145,511	\$ 24,244	\$
Capital Lease Proceeds			
Refunding Bonds			
TOTAL OTHER FINANCING SOURCES (USES)	\$ 145,511	\$ 24,244	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 467,843	\$ 527,724	\$ 193,595
BEGINNING FUND BALANCE	1,471,819	944,095	750,500
ENDING FUND BALANCE	\$ 1,939,662	\$ 1,471,819	\$ 944,095

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 432,649	\$ 377,382	29.8 %	45.2 %	48.0 %	41.2 %	36.6 %
176,024	185,494	9.5	15.4	17.9	16.8	18.1
191,544	184,673	10.2	16.6	19.3	18.3	18.0
122,378	111,551	1.2	4.1	10.5	11.7	10.9
5,958	5,451	0.2	0.4	0.5	0.6	0.5
19,300	83,316	1.3	2.5	2.3	1.8	8.1
1,189	859	2.0	1.7	0.7	0.1	0.1
			6.3			
		45.4	7.1			
99,685	78,701	0.4	0.7	0.8	9.5	7.7
\$ 1,048,727	\$ 1,027,427	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 140,364	\$ 108,080	4.6 %	6.9 %	10.6 %	13.4 %	10.5 %
101,614	109,351	5.3	8.6	8.3	9.7	10.6
48,815	77,524	2.8	4.5	6.4	4.7	7.5
417,365	402,737	17.0	17.1	24.3	39.8	39.2
122,126	115,889		1.3	8.3	11.6	11.3
105,893	125,236	6.1	8.3	10.8	10.1	12.2
		47.1	9.6	8.4		
				2.0	0.4	
4,593		0.6	0.9	1.0		
		0.2	0.3	0.4		
	9,654					0.9
\$ 940,770	\$ 948,471	83.7 %	57.5 %	80.5 %	89.7 %	92.2 %
\$ 107,957	\$ 78,956	16.3 %	42.5 %	19.5 %	10.3 %	7.8 %
\$ 288,603	\$ 236,723					
120,854						
	388,988					
\$ 409,457	\$ 625,711					
\$ 517,414	\$ 704,667					
233,086	(471,581)					
\$ 750,500	\$ 233,086					

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 663,044	\$ 654,295	\$ 586,603
Penalty and Interest	12,003	9,176	7,050
Investment Revenues	7,901	6,549	3,048
Miscellaneous Revenues			
TOTAL REVENUES	\$ 682,948	\$ 670,020	\$ 596,701
EXPENDITURES			
Tax Collection Expenditures	\$ 16,225	\$ 15,200	\$ 11,689
Debt Service Principal	280,000	240,000	230,000
Debt Service Interest and Fees	370,938	350,770	324,991
Bond Issuance Costs			
TOTAL EXPENDITURES	\$ 667,163	\$ 605,970	\$ 566,680
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 15,785	\$ 64,050	\$ 30,021
OTHER FINANCING SOURCES (USES)			
Refunding Bonds	\$	\$	\$
Payment to Refunded Bond Escrow Agent			
Bond Discount			
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 15,785	\$ 64,050	\$ 30,021
BEGINNING FUND BALANCE	577,038	512,988	482,967
ENDING FUND BALANCE	\$ 592,823	\$ 577,038	\$ 512,988
TOTAL ACTIVE RETAIL WATER CONNECTIONS	517	514	502
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	496	493	494

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 567,562	\$ 362,311	97.0 %	97.6 %	98.3 %	98.4 %	97.4 %
8,617	8,551	1.8	1.4	1.2	1.5	2.3
858	748	1.2	1.0	0.5	0.1	0.2
	549					0.1
<u>\$ 577,037</u>	<u>\$ 372,159</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 15,619	\$ 18,942	2.4 %	2.3 %	2.0 %	2.7 %	5.1 %
185,000	135,000	41.0	35.8	38.5	32.1	36.3
332,455	209,706	54.3	52.4	54.5	57.6	56.3
	144,624					38.9
<u>\$ 533,074</u>	<u>\$ 508,272</u>	<u>97.7 %</u>	<u>90.5 %</u>	<u>95.0 %</u>	<u>92.4 %</u>	<u>136.6 %</u>
\$ 43,963	\$ (136,113)	<u>2.3 %</u>	<u>9.5 %</u>	<u>5.0 %</u>	<u>7.6 %</u>	<u>(36.6) %</u>
\$	\$ 2,146,012					
	(1,993,449)					
	(9,604)					
<u>\$ - 0 -</u>	<u>\$ 142,959</u>					
\$ 43,963	\$ 6,846					
439,004	432,158					
<u>\$ 482,967</u>	<u>\$ 439,004</u>					
494	494					
<u>472</u>	<u>493</u>					

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2019**

District Mailing Address - Far Hills Utility District
10320 Cude Cemetery Road
Willis, TX 77318

District Telephone Number - (713) 237-1221

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2019	Expense Reimbursements for the year ended December 31, 2019	Title
Jim Haymon	11/18 11/22 (Elected)	\$ 7,200	\$ 1,416	President
Christopher Kuhl	11/18 11/22 (Elected)	\$ 1,700	\$ 1,347	Vice President
Melinda M. Shelly	11/16 11/20 (Elected)	\$ 2,850	\$ 2,109	Secretary
H. Douglas Hall	11/18 11/22 (Elected)	\$ 1,100	\$ -0-	Assistant Secretary
Rich Cutler	11/16 11/20 (Elected)	\$ 1,350	\$ -0-	Director

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: December 9, 2016

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 9, 2003. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

FAR HILLS UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2019

	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2019</u>	<u>Title</u>
Consultants:			
Radcliffe Bobbitt Adams Polley PLLC	09/14/94	\$ 61,452	General Counsel
McCall Gibson Swedlund Barfoot PLLC	12/14/94	\$ 20,850	Auditor
Myrtle Cruz, Inc.	05/01/11	\$ 29,591	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	06/09/99	\$ 2,995	Delinquent Tax Attorney
Langford Engineering, Inc.	10/10/01	\$ 267,955	Engineer
Blitch Associates, Inc.	11/12/09	\$ -0-	Financial Advisor
M. Marlon Ivy & Associates, Inc.	08/15/15	\$ 228,362	Operator
Montgomery County Tax Assessor/Collector	10/01/15	\$ 197	Tax Assessor/ Collector
Terry Holland	01/12/12	\$ -0-	Investment Officer

See accompanying independent auditor's report.

