

FAR HILLS UTILITY DISTRICT
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Far Hills Utility District
Montgomery County, Texas

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Board of Directors
Far Hills Utility District

Supplementary 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 an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

March 14, 2024

**FAR HILLS UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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, 2023. 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, 2023**

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") and other supplementary information. 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 \$1,077,660 as of December 31, 2023.

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, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

| | Summary of Changes in the Statement of Net Position | | |
|--|---|----------------------|----------------------------------|
| | 2023 | 2022 | Change Positive (Negative) |
| Current and Other Assets | \$ 10,484,035 | \$ 13,359,440 | \$ (2,875,405) |
| Right-of-Use Assets (Net of Accumulated Amortization) | 34,537 | 50,177 | (15,640) |
| Capital Assets (Net of Accumulated Depreciation) | 11,642,127 | 10,761,602 | 880,525 |
| Total Assets | <u>\$ 22,160,699</u> | <u>\$ 24,171,219</u> | <u>\$ (2,010,520)</u> |
| Due to Developer | \$ 1,570,675 | \$ 4,478,737 | \$ 2,908,062 |
| Long-Term Liabilities | 16,364,341 | 16,753,275 | 388,934 |
| Other Liabilities | 1,079,264 | 719,346 | (359,918) |
| Total Liabilities | <u>\$ 19,014,280</u> | <u>\$ 21,951,358</u> | <u>\$ 2,937,078</u> |
| Deferred Inflows of Resources | <u>\$ 2,068,759</u> | <u>\$ 1,847,819</u> | <u>\$ (220,940)</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ (3,790,851) | \$ (3,632,092) | \$ (158,759) |
| Restricted | 997,492 | 975,609 | 21,883 |
| Unrestricted | 3,871,019 | 3,028,525 | 842,494 |
| Total Net Position | <u>\$ 1,077,660</u> | <u>\$ 372,042</u> | <u>\$ 705,618</u> |

The following table provides a summary of the District's operations for the years ended December 31, 2023, and December 31, 2022.

| | Summary of Changes in the Statement of Activities | | |
|---------------------------------|---|---------------------|----------------------------------|
| | 2023 | 2022 | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | \$ 1,828,586 | \$ 1,416,163 | \$ 412,423 |
| Charges for Services | 954,319 | 767,822 | 186,497 |
| Other Revenues | 463,974 | 100,061 | 363,913 |
| Total Revenues | <u>\$ 3,246,879</u> | <u>\$ 2,284,046</u> | <u>\$ 962,833</u> |
| Expenses for Services | <u>2,541,261</u> | <u>3,123,404</u> | <u>582,143</u> |
| Change in Net Position | \$ 705,618 | \$ (839,358) | \$ 1,544,976 |
| Net Position, Beginning of Year | <u>372,042</u> | <u>1,211,400</u> | <u>(839,358)</u> |
| Net Position, End of Year | <u>\$ 1,077,660</u> | <u>\$ 372,042</u> | <u>\$ 705,618</u> |

**FAR HILLS UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2023, were \$7,873,433, a decrease of \$3,309,223 from the prior year.

The General Fund fund balance increased by \$827,748, primarily due to current year revenues exceeding operating and capital expenditures.

The Debt Service Fund fund balance increased by \$120,788, primarily due to the structure of the District's debt service obligations.

The Capital Projects Fund fund balance decreased by \$4,257,759, primarily due to the use of bond proceeds received in the prior year to fund current year capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current year. The budget was not amended. Actual revenues were \$410,309 more than budgeted revenues, actual expenditures were \$143,291 more than budgeted expenditures and unbudgeted transfers were \$14,298. This resulted in a positive variance of \$281,316. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of December 31, 2023, total \$11,642,127 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems.

| Capital Assets At Year-End, Net of Accumulated Depreciation | | | |
|---|----------------------|----------------------|----------------------------------|
| | 2023 | 2022 | Change Positive (Negative) |
| Capital Assets Not Being Depreciated: | | | |
| Land and Land Improvements | \$ 393,993 | \$ 393,993 | \$ |
| Construction in Progress | 1,284,578 | 110,567 | 1,174,011 |
| Capital Assets, Net of Accumulated Depreciation: | | | |
| Buildings | 219,544 | 236,746 | (17,202) |
| Water System | 3,914,627 | 4,047,766 | (133,139) |
| Wastewater System | 4,923,978 | 5,052,842 | (128,864) |
| Drainage System | 905,407 | 919,688 | (14,281) |
| Total Net Capital Assets | <u>\$ 11,642,127</u> | <u>\$ 10,761,602</u> | <u>\$ 880,525</u> |

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

The District also entered into a lease agreement for smart meters which is recorded as a right-of-use asset in the government-wide financial statements. See Note 8 for further disclosure.

**FAR HILLS UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CAPITAL ASSETS (Continued)

| Right-of-Use Assets At Year-End, Net of Accumulated Amortization | | | |
|--|------------------|------------------|----------------------------------|
| | 2023 | 2022 | Change Positive (Negative) |
| Right-of-Use Assets, Net of Accumulated Amortization: | | | |
| Equipment | <u>\$ 34,537</u> | <u>\$ 50,177</u> | <u>\$ (15,640)</u> |

DEBT ACTIVITY

At the end of the current fiscal year, the District had total debt payable of \$16,915,889. The changes in the debt position of the District during the fiscal year ended December 31, 2023, are summarized as follows:

Bond Debt

| | |
|--------------------------------------|----------------------|
| Bond Debt Payable, January 1, 2023 | \$ 17,205,000 |
| Less: Bond Principal Paid | <u>330,000</u> |
| Bond Debt Payable, December 31, 2023 | <u>\$ 16,875,000</u> |

Capital Lease Payable

| | |
|--|------------------|
| Capital Lease Payable, January 1, 2023 | \$ 53,575 |
| Less: Capital Lease Principal Paid | <u>12,686</u> |
| Capital Lease Payable, December 31, 2023 | <u>\$ 40,889</u> |

The District's bonds carry an underlying rating of "BBB" by Standard & Poor's Ratings Services ("S&P"). The Series 2018 and Series 2022 bonds carry an insured rating of "AA" by virtue of bond insurance by Build America Mutual Assurance Company. The Series 2020 Refunding bonds carry an insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation.

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 Adams Barner PLLC, 2929 Allen Parkway, Suite 3450, Houston, TX 77019.

FAR HILLS UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2023

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|---|---------------------|------------------------------|
| ASSETS | | |
| Cash | \$ 139,501 | \$ 228,956 |
| Investments | 4,043,323 | 1,172,044 |
| Cash with Tax Assessor/Collector | | 711,806 |
| Receivables: | | |
| Property Taxes | 523,979 | 524,967 |
| Penalty and Interest on Delinquent Taxes | | |
| Service Accounts (Net of Allowance for Doubtful Accounts of \$3,000) | 44,398 | |
| Annexation Costs | 13,452 | |
| Due from Other Funds | 442,575 | |
| Prepaid Costs | 8,613 | |
| Land | | |
| Construction in Progress | | |
| Right-of-Use Asset (Net of Accumulated Amortization) | | |
| Capital Assets (Net of Accumulated Depreciation) | | |
| TOTAL ASSETS | <u>\$ 5,215,841</u> | <u>\$ 2,637,773</u> |

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

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|--------------------------|----------------------|----------------------|------------------------------|
| \$ 90,318 | \$ 458,775 | \$ | \$ 458,775 |
| 2,970,086 | 8,185,453 | | 8,185,453 |
| | 711,806 | | 711,806 |
| | 1,048,946 | | 1,048,946 |
| | | 6,674 | 6,674 |
| | 44,398 | | 44,398 |
| | 13,452 | | 13,452 |
| | 442,575 | (442,575) | |
| | 8,613 | 5,918 | 14,531 |
| | | 393,993 | 393,993 |
| | | 1,284,578 | 1,284,578 |
| | | 34,537 | 34,537 |
| | | 9,963,556 | 9,963,556 |
| <u>\$ 3,060,404</u> | <u>\$ 10,914,018</u> | <u>\$ 11,246,681</u> | <u>\$ 22,160,699</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, 2023**

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|---|----------------------------|------------------------------|
| LIABILITIES | | |
| Accounts Payable | \$ 59,634 | \$ |
| Accrued Interest Payable | | |
| Due to Developer | 5,266 | |
| Due to Other Funds | | 437,124 |
| Security Deposits | 210,571 | |
| 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 | <u>\$ 275,471</u> | <u>\$ 437,124</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Taxes | <u>\$ 1,043,046</u> | <u>\$ 1,044,033</u> |
| FUND BALANCES | | |
| Nonspendable: Prepaid Costs | \$ 8,613 | \$ |
| Restricted for Authorized Construction | | |
| Restricted for Debt Service | | 1,156,616 |
| Unassigned | <u>3,888,711</u> | |
| TOTAL FUND BALANCES | <u>\$ 3,897,324</u> | <u>\$ 1,156,616</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u><u>\$ 5,215,841</u></u> | <u><u>\$ 2,637,773</u></u> |
| 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.

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|--------------------------|----------------------|-----------------------|------------------------------|
| \$ 235,460 | \$ 295,094 | \$ | \$ 295,094 |
| | | 175,452 | 175,452 |
| | 5,266 | 1,565,409 | 1,570,675 |
| 5,451 | 442,575 | (442,575) | |
| | 210,571 | | 210,571 |
| | | 385,000 | 385,000 |
| | | 16,336,599 | 16,336,599 |
| | | 13,147 | 13,147 |
| | | 27,742 | 27,742 |
| <u>\$ 240,911</u> | <u>\$ 953,506</u> | <u>\$ 18,060,774</u> | <u>\$ 19,014,280</u> |
| <u>\$ - 0 -</u> | <u>\$ 2,087,079</u> | <u>\$ (18,320)</u> | <u>\$ 2,068,759</u> |
| \$ | \$ 8,613 | \$ (8,613) | \$ |
| 2,819,493 | 2,819,493 | (2,819,493) | |
| | 1,156,616 | (1,156,616) | |
| | 3,888,711 | (3,888,711) | |
| <u>\$ 2,819,493</u> | <u>\$ 7,873,433</u> | <u>\$ (7,873,433)</u> | <u>\$ - 0 -</u> |
| <u>\$ 3,060,404</u> | <u>\$ 10,914,018</u> | | |
| | | \$ (3,790,851) | \$ (3,790,851) |
| | | 997,492 | 997,492 |
| | | 3,871,019 | 3,871,019 |
| | | <u>\$ 1,077,660</u> | <u>\$ 1,077,660</u> |

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, 2023**

| | | |
|--|----|-----------|
| Total Fund Balances - Governmental Funds | \$ | 7,873,433 |
|--|----|-----------|

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. | | 5,918 |
|---|--|-------|

| | | |
|---|--|--------|
| Right-of-Use assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. | | 34,537 |
|---|--|--------|

| | | |
|--|--|------------|
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. | | 11,642,127 |
|--|--|------------|

| | | |
|---|--|--------|
| Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenues in the governmental activities of the District. | | 24,994 |
|---|--|--------|

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 | \$ (1,565,409) | |
| Accrued Interest Payable | (175,452) | |
| Capital Lease Payable Within One Year | (13,147) | |
| Capital Lease Payable After One Year | (27,742) | |
| Bonds Payable Within One Year | (385,000) | |
| Bonds Payable After One Year | <u>(16,336,599)</u> | <u>(18,503,349)</u> |

| | | |
|--|----|------------------|
| Total Net Position - Governmental Activities | \$ | <u>1,077,660</u> |
|--|----|------------------|

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, 2023

| | General Fund | Debt Service Fund |
|--|---------------------|----------------------|
| REVENUES | | |
| Property Taxes | \$ 811,286 | \$ 1,010,527 |
| Water Service | 361,867 | |
| Wastewater Service | 341,450 | |
| San Jacinto River Authority Fees | 20,927 | |
| Penalty and Interest | 9,775 | 11,860 |
| Tap Connection and Inspection Fees | 206,005 | |
| Investment Revenues | 187,566 | 69,531 |
| Miscellaneous Revenues | 17,695 | |
| TOTAL REVENUES | <u>\$ 1,956,571</u> | <u>\$ 1,091,918</u> |
| EXPENDITURES/EXPENSES | | |
| Service Operations: | | |
| Professional Fees | \$ 106,035 | \$ 1,350 |
| Contracted Services | 133,452 | 17,298 |
| Utilities | 91,640 | |
| Repairs and Maintenance | 408,032 | |
| San Jacinto River Authority Assessments | 3,801 | |
| Depreciation and Amortization | | |
| Other | 281,115 | 1,261 |
| Capital Outlay | 104,416 | |
| Developer Interest | | |
| Debt Service: | | |
| Bond Principal | | 330,000 |
| Capital Lease Principal | 12,686 | |
| Bond Interest | | 621,221 |
| Capital Lease Interest | 1,944 | |
| TOTAL EXPENDITURES/EXPENSES | <u>\$ 1,143,121</u> | <u>\$ 971,130</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ 813,450</u> | <u>\$ 120,788</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers In(Out) | \$ 14,298 | \$ -0- |
| NET CHANGE IN FUND BALANCES | \$ 827,748 | \$ 120,788 |
| CHANGE IN NET POSITION | | |
| FUND BALANCES/NET POSITION - JANUARY 1, 2023 | 3,069,576 | 1,035,828 |
| FUND BALANCES/NET POSITION - DECEMBER 31, 2023 | <u>\$ 3,897,324</u> | <u>\$ 1,156,616</u> |

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

| Capital Projects Fund | Total | Adjustments | Statement of Activities |
|--------------------------|-----------------------|-----------------------|----------------------------|
| \$ | \$ 1,821,813 | \$ 6,773 | \$ 1,828,586 |
| | 361,867 | | 361,867 |
| | 341,450 | | 341,450 |
| | 20,927 | | 20,927 |
| | 21,635 | 2,435 | 24,070 |
| | 206,005 | | 206,005 |
| 189,182 | 446,279 | | 446,279 |
| | 17,695 | | 17,695 |
| <u>\$ 189,182</u> | <u>\$ 3,237,671</u> | <u>\$ 9,208</u> | <u>\$ 3,246,879</u> |
| | | | |
| \$ | \$ 107,385 | \$ | \$ 107,385 |
| | 150,750 | | 150,750 |
| | 91,640 | | 91,640 |
| | 408,032 | | 408,032 |
| | 3,801 | | 3,801 |
| | | 410,867 | 410,867 |
| 2,065 | 284,441 | | 284,441 |
| 4,084,664 | 4,189,080 | (4,189,080) | |
| 345,914 | 345,914 | | 345,914 |
| | 330,000 | (330,000) | |
| | 12,686 | (12,686) | |
| | 621,221 | 115,633 | 736,854 |
| | 1,944 | (367) | 1,577 |
| <u>\$ 4,432,643</u> | <u>\$ 6,546,894</u> | <u>\$ (4,005,633)</u> | <u>\$ 2,541,261</u> |
| | | | |
| <u>\$ (4,243,461)</u> | <u>\$ (3,309,223)</u> | <u>\$ 4,014,841</u> | <u>\$ 705,618</u> |
| | | | |
| <u>\$ (14,298)</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |
| | | | |
| \$ (4,257,759) | \$ (3,309,223) | \$ 3,309,223 | \$ |
| | | 705,618 | 705,618 |
| 7,077,252 | 11,182,656 | (10,810,614) | 372,042 |
| <u>\$ 2,819,493</u> | <u>\$ 7,873,433</u> | <u>\$ (6,795,773)</u> | <u>\$ 1,077,660</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, 2023

| | |
|---|-------------------|
| Net Change in Fund Balances - Governmental Funds | \$ (3,309,223) |
| 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. | 6,773 |
| 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. | 2,435 |
| Governmental funds do not account for depreciation and amortization. However, in the government-wide financial statements, capital assets are depreciated while right-of-use assets are amortized. Depreciation and amortization expenses are recorded in the Statement of Activities. | (410,867) |
| 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. | 4,189,080 |
| 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. | 342,686 |
| 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. | (115,266) |
| Change in Net Position - Governmental Activities | <u>\$ 705,618</u> |

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

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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”).

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

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023

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 2022 tax levy collections during the period October 1, 2022, to December 31, 2023, taxes collected from January 1, 2023, to December 31, 2023, for all prior tax levies. The 2023 tax levy has been fully deferred to meet the District's planned expenditures in the 2024 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, 2023, the Debt Service Fund owed the General Fund \$437,124 for maintenance tax collections. The Capital Projects Fund owed the General Fund \$5,451 for bond issuance costs and capital costs paid by the General Fund.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

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:

| | <u>Years</u> |
|---------------------|--------------|
| Buildings | 40 |
| Water System | 10-45 |
| Wastewater System | 10-45 |
| Drainage System | 10-45 |
| All Other Equipment | 3-20 |

Right-of-use assets are amortized over the term of the lease, See Note 8.

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.

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

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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, 2023

NOTE 3. LONG-TERM DEBT

| | Series 2013 | Series 2015 Refunding | Series 2015 |
|---|----------------------|--------------------------|----------------------|
| Amount Outstanding – December 31, 2023 | \$ 790,000 | \$ 1,420,000 | \$ 3,135,000 |
| Interest Rates | 4.25% - 5.00% | 3.00% - 3.375% | 3.00% - 4.00% |
| Maturity Dates – Serially Beginning/Ending | April 1 2024/2037 | April 1 2024/2031 | April 1 2024/2041 |
| Interest Payment Dates | April 1/October 1 | April 1/October 1 | April 1/October 1 |
| Callable Dates | April 1, 2021* | April 1, 2023* | April 1, 2023* |

| | Series 2018 | Refunding Series 2020 | Series 2022 |
|---|----------------------|--------------------------|----------------------|
| Amount Outstanding – December 31, 2023 | \$ 1,475,000 | \$ 2,075,000 | \$ 7,980,000 |
| Interest Rates | 3.00% - 4.00% | 2.00% - 2.50% | 4.50% - 5.00% |
| Maturity Dates – Serially Beginning/Ending | April 1 2024/2042 | April 1 2024/2037 | April 1 2024/2050 |
| Interest Payment Dates | April 1/October 1 | April 1/October 1 | April 1/October 1 |
| Callable Dates | April 1, 2025* | April 1, 2026* | October 1, 2028* |

* Or any date therefore, in whole or in part, at par plus unpaid accrued interest. 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. The Series 2020 Refunding term bonds maturing on April 1, 2026, 2029 and 2032 are subject to mandatory redemption beginning on April 1, 2023, 2027 and 2030, respectively. The Series 2022 term bonds maturing on April 1, 2033, 2037, 2042 and 2050 are subject to mandatory redemption beginning on April 1, 2030, 2034, 2038 and 2049, respectively.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2023:

| | January 1, 2023 | Additions | Retirements | December 31, 2023 |
|-----------------------|----------------------|---------------|----------------------------|----------------------|
| Bonds Payable | \$ 17,205,000 | \$ | \$ 330,000 | \$ 16,875,000 |
| Unamortized Discounts | (162,614) | | (9,213) | (153,401) |
| Bonds Payable, Net | <u>\$ 17,042,386</u> | <u>\$ -0-</u> | <u>\$ 320,787</u> | <u>\$ 16,721,599</u> |
| | | | Amount Due Within One Year | \$ 385,000 |
| | | | Amount Due After One Year | <u>16,336,599</u> |
| | | | Bonds Payable, Net | <u>\$ 16,721,599</u> |

As of December 31, 2023, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|----------------------|----------------------|----------------------|
| 2024 | \$ 385,000 | \$ 690,569 | \$ 1,075,569 |
| 2025 | 395,000 | 677,308 | 1,072,308 |
| 2026 | 410,000 | 663,576 | 1,073,576 |
| 2027 | 425,000 | 649,388 | 1,074,388 |
| 2028 | 435,000 | 634,563 | 1,069,563 |
| 2029-2033 | 2,415,000 | 2,928,662 | 5,343,662 |
| 2034-2038 | 2,835,000 | 2,496,240 | 5,331,240 |
| 2039-2043 | 3,415,000 | 1,908,668 | 5,323,668 |
| 2044-2048 | 4,205,000 | 1,032,375 | 5,237,375 |
| 2049-2050 | 1,955,000 | 98,875 | 2,053,875 |
| | <u>\$ 16,875,000</u> | <u>\$ 11,780,224</u> | <u>\$ 28,655,224</u> |

As of December 31, 2023, the District had authorized but unissued bonds in the amount of \$15,095,000 for waterworks, sanitary sewer and drainage facilities and \$38,270,000 for refunding purposes.

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

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended December 31, 2023, the District levied an ad valorem debt service tax at the rate of \$0.32 per \$100 of assessed valuation, which resulted in a tax levy of \$1,034,380 on the adjusted taxable valuation of \$323,231,106 for the 2023 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

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.

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 \$458,775 and the bank balance was \$540,960. The District was not exposed to custodial credit risk at year-end.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, as listed below:

| | <u>Cash</u> |
|-----------------------|-------------------|
| GENERAL FUND | \$ 139,501 |
| DEBT SERVICE FUND | 228,956 |
| CAPITAL PROJECTS FUND | <u>90,318</u> |
| TOTAL DEPOSITS | <u>\$ 458,775</u> |

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 Hermes, Inc. manages the daily operations of the pool under contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from the TexPool.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2023, the District had the following investments and maturities:

| Fund and Investment Type | Fair Value | Maturities of Less Than 1 Year |
|------------------------------|----------------------------|--------------------------------------|
| <u>GENERAL FUND</u> | | |
| TexPool | \$ 4,043,323 | \$ 4,043,323 |
| <u>DEBT SERVICE FUND</u> | | |
| TexPool | 1,172,044 | 1,172,044 |
| <u>CAPITAL PROJECTS FUND</u> | | |
| TexPool | <u>2,970,086</u> | <u>2,970,086</u> |
| TOTAL INVESTMENTS | <u>\$ 8,185,453</u> | <u>\$ 8,185,453</u> |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2023, 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, 2023

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023:

| | January 1, 2023 | Increases | Decreases | December 31, 2023 |
|--|----------------------|---------------------|-------------------|----------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 393,993 | \$ | \$ | \$ 393,993 |
| Construction in Progress | <u>110,567</u> | <u>1,275,752</u> | <u>101,741</u> | <u>1,284,578</u> |
| Total Capital Assets Not Being Depreciated | <u>\$ 504,560</u> | <u>\$ 1,275,752</u> | <u>\$ 101,741</u> | <u>\$ 1,678,571</u> |
| Capital Assets Subject to Depreciation | | | | |
| Buildings | \$ 572,313 | \$ | \$ | \$ 572,313 |
| Water System | 6,086,135 | 64,549 | | 6,150,684 |
| Wastewater System | 7,005,940 | 36,038 | | 7,041,978 |
| Drainage System | <u>1,056,974</u> | <u>1,154</u> | | <u>1,058,128</u> |
| Total Capital Assets Subject to Depreciation | <u>\$ 14,721,362</u> | <u>\$ 101,741</u> | <u>\$ - 0 -</u> | <u>\$ 14,823,103</u> |
| Less Accumulated Depreciation | | | | |
| Buildings | \$ 335,567 | \$ 17,202 | \$ | \$ 352,769 |
| Water System | 2,038,369 | 197,688 | | 2,236,057 |
| Wastewater System | 1,953,098 | 164,902 | | 2,118,000 |
| Drainage System | <u>137,286</u> | <u>15,435</u> | | <u>152,721</u> |
| Total Accumulated Depreciation | <u>\$ 4,464,320</u> | <u>\$ 395,227</u> | <u>\$ - 0 -</u> | <u>\$ 4,859,547</u> |
| Total Depreciable Capital Assets, Net of Accumulated Depreciation | <u>\$ 10,257,042</u> | <u>\$ (293,486)</u> | <u>\$ - 0 -</u> | <u>\$ 9,963,556</u> |
| Total Capital Assets, Net of Accumulated Depreciation | <u>\$ 10,761,602</u> | <u>\$ 982,266</u> | <u>\$ 101,741</u> | <u>\$ 11,642,127</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, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.32 per \$100 of assessed valuation, which resulted in a tax levy of \$1,034,379 on the adjusted taxable valuation of \$323,231,106 for the 2023 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 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, 2023

NOTE 8. CAPITAL LEASE (Continued)

In 2022, the District implemented GASB Statement No. 87 Leases which became effective for reporting periods beginning after December 15, 2019. However, due to the pandemic, the GASB 87 effective date was delayed to periods beginning after June 15, 2021.

Right-to-Use assets, current year amortization expense and accumulated amortization is summarized below:

| | January 1, 2023 | Increases | Decreases | December 31, 2023 |
|---|--------------------|--------------------|-----------------|----------------------|
| Right-to-Use Assets Subject to Amortization | | | | |
| Equipment | \$ 65,817 | \$ - 0 - | \$ - 0 - | \$ 65,817 |
| Accumulated Amortization | | | | |
| Equipment | \$ 15,640 | \$ 15,640 | \$ - 0 - | \$ 31,280 |
| Total Right-to-Use Assets, Net of Accumulated Amortization | <u>\$ 50,177</u> | <u>\$ (15,640)</u> | <u>\$ - 0 -</u> | <u>\$ 34,537</u> |

During the current fiscal year, the District recorded lease expenditures in the amount of \$14,630 of which \$12,686 was applied to principal and \$1,944 applied to interest and the District's proportionate share of operating costs. The changes in lease liability during the current fiscal year are summarized as follows:

| | |
|--|------------------|
| Capital Lease Payable, January 1, 2023 | \$ 53,575 |
| Less: Capital Lease Principal Paid | <u>12,686</u> |
| Capital Lease Payable, December 31, 2023 | <u>\$ 40,889</u> |

Future lease payments are summarized below:

| Fiscal Year | Principal | Interest | Total |
|-------------|------------------|-----------------|------------------|
| 2024 | \$ 13,147 | \$ 1,484 | \$ 14,631 |
| 2025 | 13,624 | 1,007 | 14,631 |
| 2026 | 14,118 | 512 | 14,630 |
| | <u>\$ 40,889</u> | <u>\$ 3,003</u> | <u>\$ 43,892</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,

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9. LONE STAR GROUND WATER CONSERVATION DISTRICT
(Continued)

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 non-exempt 2023 permit was \$0.085 per 1,000 gallons of water pumped from each well. The fee for non-exempt 2023 Catahoula Aquifer was \$0.06 per 1,000 gallons of water pumped. During the current fiscal year, the District recorded an expenditure of \$13,754 to the Conservation District.

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 \$2.99 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. The Catahoula Aquifer is exempt from the GRP. During the current fiscal year, the District recorded an expenditure of \$3,801 in relation to this contract.

FAR HILLS UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12. 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 \$1,565,409 for advances as of December 31, 2023. The actual amounts owed, including developer interest will be calculated at the time debt is issued to reimburse the Developer. The following table summarizes the current year activity related to unreimbursed developer costs for completed projects:

| | |
|-------------------------------------|----------------------------|
| Due to Developer, beginning of year | \$ 4,478,737 |
| Current Year Activity | <u>(2,913,328)</u> |
| Due to Developer, end of year | <u><u>\$ 1,565,409</u></u> |

NOTE 13. USE OF SURPLUS FUNDS AND CURRENT YEAR TRANSFERS

On June 9, 2022, in accordance with Rule 30 T.A.C. 293.83(c)(3)(A) of the Commission, the District approved the use the surplus Capital Project Fund monies to pay for the costs associated with the cleaning of the District's wastewater treatment plant clarifier and aeration basins in the amount of \$14,298. On April 25, 2023, the District transferred \$14,298 from the Capital Projects Fund to the General Fund to reimburse costs paid in a prior year.

FAR HILLS UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

FAR HILLS UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|------------------------------|----------------------------|------------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 786,062 | \$ 811,286 | \$ 25,224 |
| Water Service | 340,000 | 361,867 | 21,867 |
| Wastewater Service | 325,000 | 341,450 | 16,450 |
| San Jacinto River Authority Fees | 5,000 | 20,927 | 15,927 |
| Penalty and Interest | 4,500 | 9,775 | 5,275 |
| Tap Connection and Inspection Fees | 60,000 | 206,005 | 146,005 |
| Investment Revenues | 700 | 187,566 | 186,866 |
| Miscellaneous Revenues | 25,000 | 17,695 | (7,305) |
| TOTAL REVENUES | <u>\$ 1,546,262</u> | <u>\$ 1,956,571</u> | <u>\$ 410,309</u> |
| EXPENDITURES | | | |
| Service Operations: | | | |
| Professional Fees | \$ 138,500 | \$ 106,035 | \$ 32,465 |
| Contracted Services | 131,800 | 133,452 | (1,652) |
| Utilities | 81,000 | 91,640 | (10,640) |
| Repairs and Maintenance | 374,700 | 408,032 | (33,332) |
| San Jacinto River Authority Assessments | 8,000 | 3,801 | 4,199 |
| Other | 251,200 | 281,115 | (29,915) |
| Capital Outlay | | 104,416 | (104,416) |
| Debt Service: | | | |
| Capital Lease Principal | 12,686 | 12,686 | |
| Capital Lease Interest | 1,944 | 1,944 | |
| TOTAL EXPENDITURES | <u>\$ 999,830</u> | <u>\$ 1,143,121</u> | <u>\$ (143,291)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ 546,432</u> | <u>\$ 813,450</u> | <u>\$ 267,018</u> |
| OTHER FINANCING SOURCES(USES) | | | |
| Transfers In | <u>\$ -0-</u> | <u>\$ 14,298</u> | <u>\$ 14,298</u> |
| NET CHANGE IN FUND BALANCE | \$ 546,432 | \$ 827,748 | \$ 281,316 |
| FUND BALANCE - JANUARY 1, 2023 | <u>3,069,576</u> | <u>3,069,576</u> | |
| FUND BALANCE - DECEMBER 31, 2023 | <u><u>\$ 3,616,008</u></u> | <u><u>\$ 3,897,324</u></u> | <u><u>\$ 281,316</u></u> |

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, 2023

**FAR HILLS UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2023**

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 January 12, 2023, effective February 1, 2023.

| | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate per 1,000 Gallons over Minimum Use | Usage Levels |
|---|-------------------|------------------|---------------------|---|--|
| WATER: | \$ 19.80 | 2,000 | N | \$ 1.55 1.70 2.40 2.95 3.25 3.85 4.00 4.60 | 2,001 to 5,000 5,001 to 10,000 10,001 to 15,000 15,001 to 20,000 20,001 to 30,000 30,001 to 35,000 35,001 to 50,000 50,001 and up |
| WASTEWATER: | \$ 36.30 | 5,000 | N | 0.19 | 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? | <u> </u> | <u> X </u> |
| | Yes | No |

Total monthly charges per 10,000 gallons usage: Water: \$32.95 Wastewater: \$37.25 Surcharge: \$1.35 Total: \$ 71.55

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2023**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

| <u>Meter Size</u> | <u>Total Connections</u> | <u>Active Connections</u> | <u>ESFC Factor</u> | <u>Active ESFCs</u> |
|------------------------------|------------------------------|-------------------------------|------------------------|-------------------------|
| Unmetered | | | x 1.0 | |
| ≤¾" | <u>738</u> | <u>727</u> | x 1.0 | <u>727</u> |
| 1" | <u>81</u> | <u>81</u> | x 2.5 | <u>203</u> |
| 1½" | <u>1</u> | <u>1</u> | x 5.0 | <u>5</u> |
| 2" | <u>6</u> | <u>6</u> | x 8.0 | <u>48</u> |
| 3" | <u>2</u> | <u>2</u> | x 15.0 | <u>30</u> |
| 4" | <u>1</u> | <u>1</u> | x 25.0 | <u>25</u> |
| 6" | | | x 50.0 | |
| 8" | <u>1</u> | <u>1</u> | x 80.0 | <u>80</u> |
| 10" | | | x 115.0 | |
| Total Water Connections | <u>830</u> | <u>819</u> | | <u>1,118</u> |
| Total Wastewater Connections | <u>807</u> | <u>796</u> | x 1.0 | <u>796</u> |

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

Gallons pumped into system: 94,338,000 Water Accountability Ratio: 94.55 %
(Gallons billed and used/Gallons pumped and purchased)

Gallons billed to customers: 89,193,000

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2023**

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, 2023

| | |
|-----------------------------------|-------------------|
| PROFESSIONAL FEES: | |
| Auditing | \$ 20,250 |
| Engineering | 32,156 |
| Legal | <u>53,629</u> |
| TOTAL PROFESSIONAL FEES | <u>\$ 106,035</u> |
| CONTRACTED SERVICES: | |
| Bookkeeping and Billings | \$ 38,750 |
| Operations | <u>94,702</u> |
| TOTAL CONTRACTED SERVICES | <u>\$ 133,452</u> |
| UTILITIES | <u>\$ 91,640</u> |
| REPAIRS AND MAINTENANCE | <u>\$ 408,032</u> |
| ADMINISTRATIVE EXPENDITURES: | |
| Director Fees | \$ 14,951 |
| Insurance | 28,729 |
| Office Supplies and Postage | 28,122 |
| Payroll Taxes | 1,088 |
| Travel and Meetings | 4,325 |
| Other | <u>14,474</u> |
| TOTAL ADMINISTRATIVE EXPENDITURES | <u>\$ 91,689</u> |
| CAPITAL OUTLAY | <u>\$ 104,416</u> |
| TAP CONNECTIONS | <u>\$ 32,060</u> |

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2023**

OTHER EXPENDITURES:

| | |
|---|---------------|
| Chemicals | \$ 33,996 |
| Inspection Fees | 14,979 |
| Laboratory Fees | 37,582 |
| Permit Fees | 19,236 |
| Commission Regulatory Assessment | 3,322 |
| San Jacinto River Authority Assessments | 3,801 |
| Sludge Hauling | <u>48,251</u> |

| | |
|--------------------------|-------------------|
| TOTAL OTHER EXPENDITURES | <u>\$ 161,167</u> |
|--------------------------|-------------------|

DEBT SERVICE:

| | |
|-------------------------|--------------|
| Capital Lease Principal | \$ 12,686 |
| Capital Lease Interest | <u>1,944</u> |

| | |
|--------------------|------------------|
| TOTAL DEBT SERVICE | <u>\$ 14,630</u> |
|--------------------|------------------|

| | |
|--------------------|----------------------------|
| TOTAL EXPENDITURES | <u><u>\$ 1,143,121</u></u> |
|--------------------|----------------------------|

See accompanying independent auditor's report.

FAR HILLS UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2023

| <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 | \$ 4,043,323 | \$ - 0 - |
| <u>DEBT SERVICE FUND</u> | | | | | |
| TexPool | XXXX0001 | Varies | Daily | \$ 1,071,118 | \$ |
| TexPool | XXXX0004 | Varies | Daily | 100,926 | |
| TOTAL DEBT SERVICE FUND | | | | \$ 1,172,044 | \$ - 0 - |
| <u>CAPITAL PROJECTS FUND</u> | | | | | |
| TexPool | XXXX0003 | Varies | Daily | \$ 2,970,086 | \$ - 0 - |
| TOTAL - ALL FUNDS | | | | \$ 8,185,453 | \$ - 0 - |

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2023**

| | <u>Maintenance Taxes</u> | | <u>Debt Service Taxes</u> | |
|-----------------------------|--------------------------|-------------------|---------------------------|-------------------|
| TAXES RECEIVABLE - | | | | |
| JANUARY 1, 2023 | \$ | 413,145 | \$ | 513,162 |
| Adjustments to Beginning | | | | |
| Balance | | <u>(8,697)</u> | | <u>(10,538)</u> |
| | \$ | 404,448 | \$ | 502,624 |
| Original 2023 Tax Levy | \$ | 967,617 | \$ | 967,617 |
| Adjustment to 2023 Tax Levy | | <u>66,762</u> | | <u>66,763</u> |
| | | 1,034,379 | | 1,034,380 |
| TOTAL TO BE | | | | |
| ACCOUNTED FOR | | \$ 1,438,827 | | \$ 1,537,004 |
| TAX COLLECTIONS: | | | | |
| Prior Years | \$ | 395,782 | \$ | 492,970 |
| Current Year | | <u>519,066</u> | | <u>519,067</u> |
| | | 914,848 | | 1,012,037 |
| TAXES RECEIVABLE - | | | | |
| DECEMBER 31, 2023 | | <u>\$ 523,979</u> | | <u>\$ 524,967</u> |
| TAXES RECEIVABLE BY | | | | |
| YEAR: | | | | |
| 2023 | \$ | 515,313 | \$ | 515,313 |
| 2022 | | 4,032 | | 5,022 |
| 2021 | | 2,619 | | 2,467 |
| 2020 | | 560 | | 555 |
| 2019 | | 502 | | 496 |
| 2018 | | 469 | | 529 |
| 2017 | | 210 | | 256 |
| 2016 | | 233 | | 285 |
| 2013 | | <u>41</u> | | <u>44</u> |
| TOTAL | \$ | <u>523,979</u> | \$ | <u>524,967</u> |

See accompanying independent auditor's report.

FAR HILLS UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| PROPERTY VALUATIONS: | | | | |
| Land | \$ 133,387,814 | \$ 86,862,360 | \$ 66,561,520 | \$ 61,803,460 |
| Improvements | 250,593,610 | 260,081,870 | 153,677,720 | 141,339,600 |
| Personal Property | 2,367,601 | 1,538,166 | 1,150,346 | 951,412 |
| Exemptions | <u>(63,117,919)</u> | <u>(59,778,619)</u> | <u>(8,887,278)</u> | <u>(10,061,113)</u> |
| TOTAL PROPERTY VALUATIONS | <u>\$ 323,231,106</u> | <u>\$ 288,703,777</u> | <u>\$ 212,502,308</u> | <u>\$ 194,033,359</u> |
| TAX RATES PER \$100 VALUATION: | | | | |
| Debt Service | \$ 0.32 | \$ 0.355 | \$ 0.325 | \$ 0.335 |
| Maintenance** | <u>0.32</u> | <u>0.285</u> | <u>0.345</u> | <u>0.338</u> |
| TOTAL TAX RATES PER \$100 VALUATION | <u>\$ 0.64</u> | <u>\$ 0.640</u> | <u>\$ 0.670</u> | <u>\$ 0.673</u> |
| ADJUSTED TAX LEVY* | <u>\$ 2,068,759</u> | <u>\$ 1,847,819</u> | <u>\$ 1,423,866</u> | <u>\$ 1,305,861</u> |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | <u>50.18 %</u> | <u>99.51 %</u> | <u>99.64 %</u> | <u>99.91 %</u> |

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

** Maintenance Tax – 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, 2023

| 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 |
| 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 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| | <u>\$ 790,000</u> | <u>\$ 281,844</u> | <u>\$ 1,071,844</u> |

See accompanying independent auditor's report.

FAR HILLS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

| 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 |
| 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 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| | <u>\$ 1,420,000</u> | <u>\$ 190,565</u> | <u>\$ 1,610,565</u> |

See accompanying independent auditor's report.

FAR HILLS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

| 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 |
| 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 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| | <u>\$ 3,135,000</u> | <u>\$ 1,649,610</u> | <u>\$ 4,784,610</u> |

See accompanying independent auditor's report.

FAR HILLS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

| 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 |
| 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 |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| | <u>\$ 1,475,000</u> | <u>\$ 673,966</u> | <u>\$ 2,148,966</u> |

See accompanying independent auditor's report.

FAR HILLS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

| REFUNDING SERIES - 2020 | | | | |
|--|-----------------------------|---------------------------------------|-----------|------------------|
| Due During Fiscal Years Ending December 31 | Principal Due April 1 | Interest Due April 1/ October 1 | Total | |
| 2024 | \$ 40,000 | \$ 47,925 | \$ | 87,925 |
| 2025 | 45,000 | 47,075 | | 92,075 |
| 2026 | 40,000 | 46,225 | | 86,225 |
| 2027 | 45,000 | 45,375 | | 90,375 |
| 2028 | 45,000 | 44,475 | | 89,475 |
| 2029 | 45,000 | 43,575 | | 88,575 |
| 2030 | 45,000 | 42,619 | | 87,619 |
| 2031 | 45,000 | 41,606 | | 86,606 |
| 2032 | 255,000 | 38,231 | | 293,231 |
| 2033 | 270,000 | 32,325 | | 302,325 |
| 2034 | 280,000 | 25,963 | | 305,963 |
| 2035 | 290,000 | 19,194 | | 309,194 |
| 2036 | 305,000 | 11,938 | | 316,938 |
| 2037 | 325,000 | 4,063 | | 329,063 |
| 2038 | | | | |
| 2039 | | | | |
| 2040 | | | | |
| 2041 | | | | |
| 2042 | | | | |
| 2043 | | | | |
| 2044 | | | | |
| 2045 | | | | |
| 2046 | | | | |
| 2047 | | | | |
| 2048 | | | | |
| 2049 | | | | |
| 2050 | | | | |
| | <u>\$ 2,075,000</u> | <u>\$ 490,589</u> | <u>\$</u> | <u>2,565,589</u> |

See accompanying independent auditor's report.

FAR HILLS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

| S E R I E S - 2 0 2 2 | | | | |
|--|-----------------------------|---------------------------------------|-----------|-------------------|
| Due During Fiscal Years Ending December 31 | Principal Due April 1 | Interest Due April 1/ October 1 | Total | |
| 2024 | \$ 45,000 | \$ 393,500 | \$ | 438,500 |
| 2025 | 45,000 | 391,250 | | 436,250 |
| 2026 | 50,000 | 388,875 | | 438,875 |
| 2027 | 50,000 | 386,375 | | 436,375 |
| 2028 | 50,000 | 383,875 | | 433,875 |
| 2029 | 50,000 | 381,375 | | 431,375 |
| 2030 | 50,000 | 379,000 | | 429,000 |
| 2031 | 55,000 | 376,638 | | 431,638 |
| 2032 | 60,000 | 374,050 | | 434,050 |
| 2033 | 55,000 | 371,462 | | 426,462 |
| 2034 | 60,000 | 368,800 | | 428,800 |
| 2035 | 65,000 | 365,831 | | 430,831 |
| 2036 | 65,000 | 362,744 | | 427,744 |
| 2037 | 65,000 | 359,656 | | 424,656 |
| 2038 | 60,000 | 356,688 | | 416,688 |
| 2039 | 60,000 | 353,837 | | 413,837 |
| 2040 | 65,000 | 350,869 | | 415,869 |
| 2041 | 70,000 | 347,663 | | 417,663 |
| 2042 | 65,000 | 344,456 | | 409,456 |
| 2043 | 735,000 | 325,456 | | 1,060,456 |
| 2044 | 770,000 | 288,750 | | 1,058,750 |
| 2045 | 805,000 | 249,375 | | 1,054,375 |
| 2046 | 840,000 | 208,250 | | 1,048,250 |
| 2047 | 875,000 | 165,375 | | 1,040,375 |
| 2048 | 915,000 | 120,625 | | 1,035,625 |
| 2049 | 955,000 | 73,875 | | 1,028,875 |
| 2050 | 1,000,000 | 25,000 | | 1,025,000 |
| | <u>\$ 7,980,000</u> | <u>\$ 8,493,650</u> | <u>\$</u> | <u>16,473,650</u> |

See accompanying independent auditor's report.

**FAR HILLS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023**

| ANNUAL REQUIREMENTS FOR ALL SERIES | | | |
|--|------------------------|-----------------------|--|
| Due During Fiscal Years Ending December 31 | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
| 2024 | \$ 385,000 | \$ 690,569 | \$ 1,075,569 |
| 2025 | 395,000 | 677,308 | 1,072,308 |
| 2026 | 410,000 | 663,576 | 1,073,576 |
| 2027 | 425,000 | 649,388 | 1,074,388 |
| 2028 | 435,000 | 634,563 | 1,069,563 |
| 2029 | 450,000 | 619,047 | 1,069,047 |
| 2030 | 465,000 | 602,750 | 1,067,750 |
| 2031 | 485,000 | 585,522 | 1,070,522 |
| 2032 | 500,000 | 568,706 | 1,068,706 |
| 2033 | 515,000 | 552,637 | 1,067,637 |
| 2034 | 530,000 | 535,988 | 1,065,988 |
| 2035 | 550,000 | 518,500 | 1,068,500 |
| 2036 | 565,000 | 500,270 | 1,065,270 |
| 2037 | 585,000 | 481,434 | 1,066,434 |
| 2038 | 605,000 | 460,048 | 1,065,048 |
| 2039 | 630,000 | 435,487 | 1,065,487 |
| 2040 | 655,000 | 409,544 | 1,064,544 |
| 2041 | 685,000 | 382,438 | 1,067,438 |
| 2042 | 710,000 | 355,743 | 1,065,743 |
| 2043 | 735,000 | 325,456 | 1,060,456 |
| 2044 | 770,000 | 288,750 | 1,058,750 |
| 2045 | 805,000 | 249,375 | 1,054,375 |
| 2046 | 840,000 | 208,250 | 1,048,250 |
| 2047 | 875,000 | 165,375 | 1,040,375 |
| 2048 | 915,000 | 120,625 | 1,035,625 |
| 2049 | 955,000 | 73,875 | 1,028,875 |
| 2050 | 1,000,000 | 25,000 | 1,025,000 |
| | \$ 16,875,000 | \$ 11,780,224 | \$ 28,655,224 |

See accompanying independent auditor's report.

FAR HILLS UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2023

| Description | Original Bonds Issued* | Bonds Outstanding January 1, 2023 |
|--|---------------------------|---|
| Far Hills Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013 | \$ 1,185,000 | \$ 840,000 |
| Far Hills Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2015 | 2,535,000 | 1,570,000 |
| Far Hills Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2015 | 3,470,000 | 3,185,000 |
| Far Hills Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2018 | 1,660,000 | 1,515,000 |
| Far Hills Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2020 | 2,195,000 | 2,115,000 |
| Far Hills Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2022 | 7,980,000 | 7,980,000 |
| TOTAL | <u>\$ 19,025,000</u> | <u>\$ 17,205,000</u> |
| Bond Authority: | <u>Tax Bonds</u> | <u>Refunding Bonds</u> |
| Amount Authorized by Voters | \$ 35,200,000 | \$ 39,000,000 |
| Amount Issued | 20,105,000 | 730,000 |
| Remaining to be Issued | <u>\$ 15,095,000</u> | <u>\$ 38,270,000</u> |

See accompanying independent auditor's report.

| Current Year Transactions | | | Bonds Outstanding December 31, 2023 | Paying Agent |
|---------------------------|-------------|------------|---|-------------------------------|
| Bonds Sold | Retirements | | | |
| | Principal | Interest | | |
| \$ | \$ 50,000 | \$ 39,450 | \$ 790,000 | Bank of Texas Austin, TX |
| | 150,000 | 46,788 | 1,420,000 | Bank of Texas Austin, TX |
| | 50,000 | 121,706 | 3,135,000 | Bank of Texas Austin, TX |
| | 40,000 | 51,044 | 1,475,000 | UMB Bank, N.A. Houston, TX |
| | 40,000 | 48,725 | 2,075,000 | UMB Bank, N.A. Houston, TX |
| | | 313,508 | 7,980,000 | UMB Bank, N.A. Houston, TX |
| \$ - 0 - | \$ 330,000 | \$ 621,221 | \$ 16,875,000 | |

Debt Service Fund cash and investment balances as of December 31, 2023: \$ 2,112,806

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,061,305

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

See accompanying independent auditor's report.

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

| | Amounts | | |
|--|---------------------|---------------------|---------------------|
| | 2023 | 2022 | 2021 |
| REVENUES | | | |
| Property Taxes | \$ 811,286 | \$ 733,945 | \$ 661,634 |
| Water Service | 361,867 | 337,296 | 226,797 |
| Wastewater Service | 341,450 | 340,118 | 290,283 |
| San Jacinto River Authority Fees | 20,927 | 7,496 | 5,535 |
| Penalty and Interest | 9,775 | 5,904 | 9,194 |
| Tap Connection and Inspection Fees | 206,005 | 70,690 | 229,635 |
| Investment Revenues | 187,566 | 49,073 | 839 |
| Developer Contributions | | | |
| Miscellaneous Revenues | 17,695 | 19,546 | 18,017 |
| TOTAL REVENUES | <u>\$ 1,956,571</u> | <u>\$ 1,564,068</u> | <u>\$ 1,441,934</u> |
| EXPENDITURES | | | |
| Professional Fees | \$ 106,035 | \$ 113,460 | \$ 104,878 |
| Contracted Services | 133,452 | 122,401 | 121,845 |
| Purchased Water Service | | 20,540 | |
| Utilities | 91,640 | 102,642 | 43,929 |
| Repairs and Maintenance | 408,032 | 326,561 | 235,015 |
| San Jacinto River Authority Assessments | 3,801 | 4,736 | 4,736 |
| Other | 281,115 | 225,644 | 257,447 |
| Capital Outlay | 104,416 | 198,343 | 303,954 |
| Debt Service: | | | |
| Capital Lease Principal | 12,686 | 12,242 | 11,813 |
| Capital Lease Interest | 1,944 | 2,388 | 2,817 |
| TOTAL EXPENDITURES | <u>\$ 1,143,121</u> | <u>\$ 1,128,957</u> | <u>\$ 1,086,434</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ 813,450</u> | <u>\$ 435,111</u> | <u>\$ 355,500</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In (Out) | <u>\$ 14,298</u> | <u>\$ 29,122</u> | <u>\$ - 0 -</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 827,748</u> | <u>\$ 464,233</u> | <u>\$ 355,500</u> |
| BEGINNING FUND BALANCE | <u>3,069,576</u> | <u>2,605,343</u> | <u>2,249,843</u> |
| ENDING FUND BALANCE | <u>\$ 3,897,324</u> | <u>\$ 3,069,576</u> | <u>\$ 2,605,343</u> |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | |
|---------------------|---------------------|------------------------------|----------------|----------------|----------------|----------------|
| 2020 | 2019 | 2023 | 2022 | 2021 | 2020 | 2019 |
| \$ 646,801 | \$ 588,050 | 41.4 % | 47.0 % | 46.0 % | 36.0 % | 29.8 % |
| 217,316 | 187,649 | 18.5 | 21.6 | 15.7 | 12.1 | 9.5 |
| 236,598 | 200,686 | 17.5 | 21.7 | 20.1 | 13.2 | 10.2 |
| 5,849 | 23,037 | 1.1 | 0.5 | 0.4 | 0.3 | 1.2 |
| 964 | 3,258 | 0.5 | 0.4 | 0.6 | 0.1 | 0.2 |
| 204,800 | 26,475 | 10.5 | 4.5 | 15.9 | 11.4 | 1.3 |
| 11,693 | 40,314 | 9.6 | 3.1 | 0.1 | 0.7 | 2.0 |
| 452,730 | 897,243 | | | | 25.3 | 45.4 |
| 16,124 | 8,151 | 0.9 | 1.2 | 1.2 | 0.9 | 0.4 |
| <u>\$ 1,792,875</u> | <u>\$ 1,974,863</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| | | | | | | |
| \$ 92,355 | \$ 91,327 | 5.4 % | 7.3 % | 7.3 % | 5.2 % | 4.6 % |
| 104,633 | 105,018 | 6.8 | 7.8 | 8.5 | 5.8 | 5.3 |
| | | | 1.3 | | | |
| 58,552 | 54,640 | 4.7 | 6.6 | 3.0 | 3.3 | 2.8 |
| 232,680 | 336,483 | 20.9 | 20.9 | 16.3 | 13.0 | 17.0 |
| | 214 | 0.2 | 0.3 | 0.3 | | |
| 156,050 | 119,656 | 14.4 | 14.4 | 17.9 | 8.7 | 6.1 |
| 823,793 | 930,562 | 5.3 | 12.7 | 21.1 | 45.9 | 47.1 |
| | | | | | | |
| 11,400 | 11,001 | 0.6 | 0.8 | 0.8 | 0.6 | 0.6 |
| 3,231 | 3,630 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| <u>\$ 1,482,694</u> | <u>\$ 1,652,531</u> | <u>58.4 %</u> | <u>72.3 %</u> | <u>75.4 %</u> | <u>82.7 %</u> | <u>83.7 %</u> |
| | | | | | | |
| <u>\$ 310,181</u> | <u>\$ 322,332</u> | <u>41.6 %</u> | <u>27.7 %</u> | <u>24.6 %</u> | <u>17.3 %</u> | <u>16.3 %</u> |
| | | | | | | |
| <u>\$ - 0 -</u> | <u>\$ 145,511</u> | | | | | |
| | | | | | | |
| \$ 310,181 | \$ 467,843 | | | | | |
| <u>1,939,662</u> | <u>1,471,819</u> | | | | | |
| <u>\$ 2,249,843</u> | <u>\$ 1,939,662</u> | | | | | |

See accompanying independent auditor's report.

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

| | Amounts | | |
|--|---------------------|---------------------|-------------------|
| | 2023 | 2022 | 2021 |
| REVENUES | | | |
| Property Taxes | \$ 1,010,527 | \$ 687,899 | \$ 657,411 |
| Penalty and Interest | 11,860 | 7,756 | 8,465 |
| Investment Revenues | 69,531 | 14,674 | 295 |
| Miscellaneous Revenues | | | |
| TOTAL REVENUES | <u>\$ 1,091,918</u> | <u>\$ 710,329</u> | <u>\$ 666,171</u> |
| EXPENDITURES | | | |
| Tax Collection Expenditures | \$ 17,109 | \$ 14,155 | \$ 14,649 |
| Debt Service Principal | 330,000 | 320,000 | 310,000 |
| Debt Service Interest and Fees | 624,021 | 320,700 | 330,919 |
| Bond Issuance Costs | | | |
| Payment to Refunded Bond Escrow Agent | | | |
| TOTAL EXPENDITURES | <u>\$ 971,130</u> | <u>\$ 654,855</u> | <u>\$ 655,568</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ 120,788</u> | <u>\$ 55,474</u> | <u>\$ 10,603</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-Term Debt Issued | \$ | \$ 394,625 | \$ |
| Refunding Bonds | | | |
| Payment to Refunded Bond Escrow Agent | | | |
| Bond Discount | | | |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ - 0 -</u> | <u>\$ 394,625</u> | <u>\$ - 0 -</u> |
| NET CHANGE IN FUND BALANCE | \$ 120,788 | \$ 450,099 | \$ 10,603 |
| BEGINNING FUND BALANCE | <u>1,035,828</u> | <u>585,729</u> | <u>575,126</u> |
| ENDING FUND BALANCE | <u>\$ 1,156,616</u> | <u>\$ 1,035,828</u> | <u>\$ 585,729</u> |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | <u>819</u> | <u>775</u> | <u>725</u> |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | <u>796</u> | <u>752</u> | <u>702</u> |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | |
|---------------------|-------------------|------------------------------|----------------|----------------|-----------------|----------------|
| 2020 | 2019 | 2023 | 2022 | 2021 | 2020 | 2019 |
| \$ 639,332 | \$ 663,044 | 92.5 % | 96.8 % | 98.7 % | 98.3 % | 97.0 % |
| 6,185 | 12,003 | 1.1 | 1.1 | 1.3 | 0.9 | 1.8 |
| 3,338 | 7,901 | 6.4 | 2.1 | | 0.5 | 1.2 |
| 2,252 | | | | | 0.3 | |
| <u>\$ 651,107</u> | <u>\$ 682,948</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| | | | | | | |
| \$ 17,443 | \$ 16,225 | 1.6 % | 2.0 % | 2.2 % | 2.7 % | 2.4 % |
| 285,000 | 280,000 | 30.2 | 45.0 | 46.5 | 43.8 | 41.0 |
| 344,161 | 370,938 | 57.1 | 45.1 | 49.7 | 52.9 | 54.3 |
| 133,008 | | | | | 20.4 | |
| 18,336 | | | | | 2.8 | |
| <u>\$ 797,948</u> | <u>\$ 667,163</u> | <u>88.9 %</u> | <u>92.1 %</u> | <u>98.4 %</u> | <u>122.6 %</u> | <u>97.7 %</u> |
| | | | | | | |
| <u>\$ (146,841)</u> | <u>\$ 15,785</u> | <u>11.1 %</u> | <u>7.9 %</u> | <u>1.6 %</u> | <u>(22.6) %</u> | <u>2.3 %</u> |
| | | | | | | |
| \$ 2,195,000 | \$ | | | | | |
| (2,007,426) | | | | | | |
| (58,430) | | | | | | |
| <u>\$ 129,144</u> | <u>\$ - 0 -</u> | | | | | |
| | | | | | | |
| \$ (17,697) | \$ 15,785 | | | | | |
| 592,823 | 577,038 | | | | | |
| <u>\$ 575,126</u> | <u>\$ 592,823</u> | | | | | |
| | | | | | | |
| <u>612</u> | <u>517</u> | | | | | |
| | | | | | | |
| <u>591</u> | <u>496</u> | | | | | |

See accompanying independent auditor's report.

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

District Telephone Number - (713) 237-1221

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FAR HILLS UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2023

| | <u>Date Hired</u> | <u>Fees for the year ended December 31, 2023</u> | <u>Title</u> |
|--|-------------------|--|----------------------------|
| Consultants: | | | |
| Radcliffe Adams Barner PLLC | 09/14/94 | \$ 54,731 | General Counsel |
| McCall Gibson Swedlund Barfoot PLLC | 12/14/94 | \$ 22,250 | Auditor |
| Myrtle Cruz, Inc. | 05/01/11 | \$ 43,967 | Bookkeeper |
| Perdue, Brandon, Fielder, Collins & Mott, LLP | 06/09/99 | \$ 1,781 | Delinquent Tax Attorney |
| Langford Engineering, Inc. | 10/10/01 | \$ 193,154 | Engineer |
| Blitch Associates, Inc. | 11/12/09 | \$ -0- | Financial Advisor |
| M. Marlon Ivy & Associates, Inc. | 08/15/15 | \$ 360,498 | Operator |
| Montgomery County Tax Assessor/Collector | 10/01/15 | \$ 397 | Tax Assessor/ Collector |
| Terry Holland | 01/12/12 | \$ -0- | Investment Officer |

See accompanying independent auditor's report.

